

[30th October 1935]

ordered for disafforestation for providing lands for the people of Samballi village which was submerged in the Mettur Reservoir;

(b) what the extent is of the whole forest and what the portion disafforested is;

(c) whether a copy of the order of disafforestation and assignment will be placed on the table;

(d) whether the assignment of the disafforested area has been completed and who the persons are who have been given the lands; and

(e) if not, at what stage it is and why the matter is kept pending?

A.—(a) There is no reserve by the name of “Lakkampatti Reserve.”

(b) to (e) Do not arise.

Mr. K. A. NACHIYAPPA GOUNDER:—“May I ask, Sir, what is the area that has been ordered to be disafforested in the village of Alamarathupatti?”

The Hon. Sir K. V. REDDI NAYUDU:—“I will be able to give it to the hon. Member a little later to-day.”

[Note.—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

II.—ELECTION OF A MEMBER TO THE COURT OF THE INDIAN INSTITUTE OF SCIENCE, BANGALORE.

* The Hon. the PRESIDENT:—“I have to announce that Messrs. Basheer Ahmed Sayeed and K. A. Nachiyappa Gounder were nominated for election of a member to the Court of the Indian Institute of Science, Bangalore. As Mr. Nachiyappa Gounder has since withdrawn his candidature, I declare Mr. Basheer Ahmed Sayeed duly elected by the Madras Legislative Council to the Court of the Indian Institute of Science.”

III.—A BILL FOR THE IMPOSITION AND LEVY OF LICENCE FEES ON THE SALE OF TOBACCO IN THE PRESIDENCY OF MADRAS (BILL No. 17 OF 1935)—cont.

* The Hon. the PRESIDENT:—“The discussion of the Tobacco Bill will continue.”

* Sir A. T. PATRO:—“Mr. President, Sir, only a few months back both the Hon. the Revenue Member and the Hon. the Finance Member introduced a proposal in this House for relieving the agricultural population from their chronic indebtedness and saving them from the clutches of sowcars. Steps were taken for the relaxation of the terms of the grant of takavi loans and for advancing loans to

30th October 1935]

[Sir A. P. Patro]

agriculturists on favourable terms. We all rejoiced and were very thankful to the two Hon. Members for having come forward to give such relief to the poor ryots and cultivators. But so soon after this comes this measure which has not been before the public for a long time, nor has the public had any notice of it for many weeks. To bring forward this measure of taxation at this juncture seems to me to be very unwise and impolitic. It will be disastrous to the interests of the constitutional parties and it will be really placing the Ministerialists and the Constitutionalists, those who are supporting the Government, in a very difficult position. On the eve of the new Reforms you would be placing them in a very difficult position before the electorate. The electorate as at present extended consists of tens of thousands of people in the villages. Everywhere when you approach them in the villages what is it that they ask you? 'Will the new Reforms impose fresh burdens on the taxpayer?' That is the question that is universally asked by the voters. The Ministerialist and Constitutionalist parties in the country will have to face the situation and if it is the real and sincere desire of the Government to support the Constitutionalists and not support their opponents and the Congressmen, then I am afraid it is very untimely that this measure should be brought forward now. I know that the present policy of the Government is to approach Congressmen as much as possible. Even the Congress journals have now become very very moderate and I am not surprised at this attitude. No doubt certain Congress journals are in great favour with high authorities. Their political conscience is completely altered now. We find that Government measures and information about them are known to them. We find to-day that the Government have changed their attitude and their policy towards the Congress party. I am not one of those who are opposed to the real and true patriotism of the Congress. But I am opposed to the destructive policy of the Congress. Knowing as the Government do, the policy of the Congress, the attitude of the Government at this juncture places the Ministerialists and Constitutionalists under a great handicap and it seems to be a very unwise policy. They are digging a grave for the Justice party and the Justice movement in this province. Take this fact from me. You may say that you are taking steps to relieve the distress of the agriculturists, i.e., by remission of land revenue. Those attractions, those temptations, will not compensate the evil you are doing them now. The good that you do will be forgotten and the evil you do will survive, it will survive to destroy the Justice movement in this Presidency.

11-30
a.m.

"Without pursuing this point further, I shall now say categorically my objections to this Bill. My first objection is this; hitherto many attempts were made in this direction in this province; in the West Coast the experiment was sought to be tried and it was given up. Secondly, there is no financial need at present to levy this new tax. Thirdly, the tax is inequitable and unjust and it will affect both the grower and the consumer. Fourthly, it is opposed to public opinion.

[Sir A. P. Patro]

[30th October 1935]

Fifthly, the net yield is so small that it is not worth while to pursue this Bill; the game is not worth the candle, a revenue of Rs. 12 lakhs, in a budget of Rs. 17 crores; it is a very small income. My next objection is to the rule-making power; power is given to make rules for every section of this Bill; the Bill is only a skeleton; everything else, all the details, have to be filled up by the Secretariat or the executive authority. I am opposed to the principle of the Council delegating this power to the executive authority to make rules. On practically all vital points, the Bill is silent; they will be filled up by the executive authority, by rules made by the Secretariat. Then, Sir, my next objection is that it is unfair that taxation proposals should be taken up at the fag-end of the Legislative Council; we are practically disappearing in a few months; when we are disappearing, why should we give a present to the next Council? It may be the fortune of some of us to be returned; it may be the misfortune of others of us not to be returned. Is it wise that we should consider this Bill now? This is a great handicap to the Ministerial party, to the Constitutionalist party.

“ I have stated my objections categorically. The financial position of the province is quite all right; I have already dealt with this point; I shall however make a few remarks on some of the points with a view to convince the House that this measure is not at all necessary to provide revenue to this province. This is not at all a useful measure. I shall refer now to the financial position of the province. I wish to draw the attention of the House to G.O. No. 7, dated 5th January 1928. I have been repeatedly asking, in my budget speeches, the Hon. the Finance Member and the Finance Department to account for the sum of Rs. 348 lakhs released to us by the Government of India by the cancellation of the iniquitous impost. We had to the advantage of this province the sum of 348 lakhs in the year 1925-26. What became of this sum? The Finance Secretary's memorandum shows that we are in a deficit now. The money has not disappeared; it is there in the budget; the complaint is only against the method and the manner in which the budget has been prepared all these years; the complaint is about the financial policy the department is pursuing. I would like to remind the House of the statement made in paragraph 11 of G.O. No. 7, dated 5th January 1928. ‘ It could be seen by an examination of the budgets of the last three years to see how this policy has worked out in practice. The year 1924-25, the last year in which the full provincial contribution of Rs. 348 lakhs was paid, closed with an expenditure of Rs. 23 lakhs in excess.’ Finally, the budget speech states the position in the year 1928: ‘ Of the total increase of Rs. 273.88 lakhs in the expenditure since 1924-25, Rs. 176 lakhs represent additions to our recurring commitments. The balance left for further recurring expenditure is thus Rs. 123½ lakhs.’ That is the position as stated in the Government Order, dated 5th January 1928. Then the Government Order says: ‘ In these three years our normal revenues have increased

30th October 1935]

[Sir A. P. Patro]

from Rs. 1,677.25 lakhs to Rs. 1,708.53 lakhs or on the average by Rs. 10½ lakhs a year.' This will show that a balance of Rs. 123¼ lakhs was left at the end of the year 1927, for further recurring expenditure"

The Hon. Mr. G. T. H. BRACKEN:—" May I correct the hon. Member on one point? Our revenue now is Rs. 15 crores, no longer Rs. 17 crores."

* Rao Bahadur Sir A. P. PATRO:—" I am referring to the Finance Secretary's memorandum annexed to in G.O. No. 7, dated 5th January 1928. I shall read out later on how our revenues have progressed and how our expenditure has decreased. I have not reached that point. The Hon. the Finance Member may have a little patience to listen to me. I beg to draw the attention of the House to the speech of the Hon. the Finance Member in connexion with the presentation of the budget for the year 1928-29. That speech is very accurate with regard to the financial condition of our Province"

Mr. W. K. M. LANGLEY:—" It states the position as it stood at that time."

* Rao Bahadur Sir A. P. PATRO:—" I do not know what the hon. Member (Mr. Langley) will have to say when it is a question of counting rupees, annas and pies. The general financial position, as stated by the Hon. the Finance Member when introducing the budget for the year 1928-29, is this:

'We anticipate an opening balance in the revenue account of Rs. 312.58 lakhs, revenue receipts amounting to Rs. 1,697 lakhs and a total revenue expenditure of Rs. 1,747 lakhs. The excess expenditure will be met by drawing upon our opening balances to the extent of Rs. 50 lakhs.'

I would ask the hon. Member representing the Planters to note this statement. I am referring to this point in order to show that even if there is to be a deficit in our budget to-day, it is not to be met by fresh taxation but by drawing upon our revenue reserves. The Hon. the Finance Member further says—

'It will leave us with a closing balance in the revenue account of Rs. 239.05 lakhs at the end of the year 1928-29.'

The point which I wish the House to understand is this; even accepting that there is going to be a deficit, it is not very alarming and we need not bring forward a measure of fresh taxation; the alternative remedy is this; we will draw upon our revenue balances. This was what was done in the year 1928-29. Then I shall refer to the budget speech of the Hon. the Finance Member, the Hon. Mr. H. G. Stokes introducing the budget for the year 1934-35. He was then in favour of withdrawing the cut in salaries of Government servants. He said, 'we anticipate a comfortable surplus of Rs. 60 or Rs. 70 lakhs.' In connexion with giving relief to the officials whose salaries had been cut, he referred to this financial position of the province then. He said that they had got a revenue closing balance of Rs. 271 lakhs. When

[Sir A. P. Patro]

[30th October 1935]

he thought that Part II schemes had to be provided for, he stated that he could draw upon the revenue balances. It has been said that the speech of the Hon. the Finance Member last year is very optimistic. We have already seen that our expenditure is not much more than our revenues . . . ”

The Hon. Mr. G. T. H. BRACKEN:—“ The financial position explained was in accordance with the original budget estimate and not in accordance with the revised budget estimate.”

* Rao Bahadur Sir A. P. PATRO:—“ If it is a correction, I accept it; but I do not think that it alters very much the facts before us.

“ Then, Sir, in his last year's speech, the Hon. the Finance Member

“ The total amount to be drawn during 1934-35 from the revenue balances will thus be Rs. 88.95 lakhs. We expect to close the current year with a balance in the Revenue account of Rs. 268.87 lakhs. Deducting, on the other hand, the anticipated net expenditure on account of Part II schemes for next year (i.e., Rs. 25.37 lakhs) and the amount to be drawn from the balances for capital expenditure (Rs. 88.95 lakhs), the closing revenue balance for 1934-35 is estimated to amount to Rs. 184.38 lakhs.”

That is, we have practically about Rs. 2 crores to draw upon if any deficit occurs. This deficit which has been referred to by the Hon. the Finance Member is a temporary deficit.

“ Then again, the speeches made by the Hon. the Finance Member in both the years, i.e., 1934 and 1935, took into consideration the question of revenue remissions, although the higher resettlement rates introduced in the Guntur and Salem districts were not taken into account. Nevertheless, we find in the Finance Member's speech in paragraphs 6 and 7 that the question of revenue remissions to the extent of nearly Rs. 70 lakhs was taken into account. And having taken into account these considerations, the final conclusion he arrived at was that the ‘ closing revenue balance for 1934-35 is estimated to amount to Rs. 184.38 lakhs.’ Sir, I have laboured this point only with a view to convince hon. Members that the taxation of tobacco is not the only source of revenue left to us. This tax will oppress the poor people and all the people generally. In order to avoid such hardship to the people, Government can safely draw upon the balances we already have. Why not draw on the balances in times of difficulty such as this, instead of creating difficulties for the people? That is the position I wanted to make out by reading the speeches of the Hon. the Finance Member all these years.

“ A question was asked as to whether there has been any increase in the revenue of this province. I request the House to bear with me for a while and refer to page 8 of the Budget Memorandum for the year 1934-35. The figures given there have been readjusted and revised and

30th October 1935]

[Sir A. P. Patro]

are shown at page 9. I shall read the figures for the years 1930-31 to 1932-33:

							LAKHS.
1930-31	..	..	..	..	..	..	Deficit, Rs. 102-02
1931-32	..	..	..	..	..	..	Surplus, Rs. 4-32
1932-33	..	..	..	..	..	..	Surplus, Rs. 100-99

This is according to the revised statement. According to the first statement, the surplus was expected to be 77-21 lakhs. Therefore, I say, holding such balances in the bank, why should we rush forward with this Bill now, which is after all going to bring in a petty sum of Rs. 10 lakhs to be added to a budget of Rs. 17 crores? Could not the Government find means to scrap Rs. 20 lakhs or Rs. 15 lakhs from out of this year's budget? Is it not practicable? (The Hon. Mr. G. T. H. Bracken: 'No.') Sir, if I am not presumptuous enough in the matter—I hope he will not take me as presumptuous—I am quite prepared to offer my assistance to the Hon. the Finance Member and show that we can scrap Rs. 15 lakhs from out of our budget, without affecting the standard of efficiency of the administration.

“Again, Sir, an experienced Finance Member, I think it was Sir Charles Todhunter, has laid down the policy that should guide us in these matters. He said:

‘Our aim ought therefore to be to retain a minimum closing balance of half a crore of rupees as an insurance against these evils.’

“He thought that half a crore of revenue balance was quite sufficient for meeting any sudden changes that might take place. When Rs. 50 lakhs was found to be quite sufficient for the proper financial administration of this province, why not we now, when we have nearly Rs. 2 crores, draw upon our savings, instead of taxing the poor people?

“Sir, I have tried to explain the position from my point of view to show that there is no need for this taxation measure. It is a harassing tax, and after all, it is expected to bring in only Rs. 10 lakhs. It is not worth troubling the peasants and the poor people of the ryotwari and zamindari areas. Whom does it affect? It affects the labourers, peasants; there are of course representatives here who represent or pretend to represent the labouring classes. I do not see many of them here now, but anyhow I say to the labouring classes: beware: the cheroots that you and your friends buy in the villages, the tobacco they buy for chewing purposes after a hard day's work, or after coming out from the fields—they are going to be taxed! Those people may not have even sufficient food to eat or even sufficient cloth to wear, but they must have the tobacco to chew. Every boy and girl and man and woman in the Northern Circars, especially in the Godavari, Kistna and Guntur districts, wants his or her smoking. Where is he or she to find the money from? (Interruption by Mr. Arasu.) My Friend, Mr. Arasu—representing, I do not know whom—does not perhaps know it quite well. He is a city bird and

[Sir A. P. Patro]

[30th October 1935]

therefore he may not be able to see what it means to the poor cultivator in the villages. But the Hon. the Finance Member has been in the Ganjam, Vizagapatam and other northern districts and he knows the condition of the people there. He knows how far it is necessary for them. This tobacco is not a luxury but a necessity. Why do you want to deprive the poor peasants of this absolute necessity? I know Congressmen have been proposed for the Select Committee; I know the Leader of the Opposition also is there. (Dr. P. Subbarayan: 'I am not on the Select Committee.') I am glad that you are not there. But if the Congress party is represented on the Select Committee, I presume that the party accepts the provisions of this Bill. Otherwise, the Members would not agree to serve on the Committee. I see Rao Sahib N. Siva Raj who represents the Depressed Classes is there. I do not know whether he has any great concern for the poor struggling people of his community. I am sure if only he sees them in the villages, he won't consent to it; but I leave it to his discretion. And there are many other Members there who belong to one party or the other, the Justice party or the Justice Ministerialist party.

"My friends, I have said enough. I won't say more. Beware; you will be faced by many critics on the question of this Bill; they will say: 'this is the final achievement of the party in power; wipe them out; wipe out the party; we will come in and relieve you of every burden of taxation.' Sir, this is not a mere political view, but this is what will actually happen. Therefore, I say this Bill is untimely. Why not leave it to the new Council which will be formed next year or in 1937 or so? Let them take this responsibility if they want to balance their budgets. Why should this House which has survived now for four or five years unnecessarily—as is seen from the kind of interest taken by Members in such an important matter as this—take it up? Why not leave it to a more responsible House? Why should this dying House take up this measure? Therefore, Sir, I appeal to the Members on all sides not to be a party to the passing of this Bill. It is not a political expediency I am pointing out; what I have said will actually happen. Some of you no doubt may not care to contest the elections; but in the interests of my party, in the interests of the Justice movement in this Presidency, I appeal to you to consider seriously whether you will be justified at this juncture in burdening the tax-payer with this measure and then going and asking him to give you his votes."

MR. ABDUL HAMEED KHAN:—"Mr. President, Sir, I move that the Bill be circulated for the purpose of eliciting public opinion.

"Sir, this Hon. House is at this stage aware of the feeling in the country with regard to this measure. The hon. Member from Ganjam, Sir Patro, in his most effective speech, has already told the House that the people are not very much in favour of this fresh taxation. My first argument in support of my motion is that sufficient

30th October 1935] [Mr. Abdul Hameed Khan]

time has not been given to the people to consider the effect of this Bill on them. It will be noticed that the Bill was published in the Gazette of the 8th of this month. It is now only 18 or 20 days after the publication in the *Fort St. George Gazette*. Sir, how many people are there who really benefit from any information that is vouchsafed to them through the medium of this Gazette? The number of such people is certainly very small, and particularly those people who are affected by this measure are not the people who utilize any information given to them by means of this *Fort St. George Gazette*. In view of the fact that the Government intend, by means of this Bill, to levy fresh taxation on a class of people who in one case are consumers and in the other case are manufacturers, it is necessary, in order that those people should be prepared for a measure like this, that sufficient publicity should be given to it, and sufficient time should be given not only for those people to understand the effect of this measure on them but also to enable the Government to know exactly how the people view this question.

“ Sir, in every country in the world, if a measure for fresh taxation is sought to be introduced, sufficient publicity is given to it and the people are taken into confidence. Students of history may know how in other countries people have resorted to extreme measures in order to make the Government feel that they would not be justified in levying fresh taxes without taking the people into their confidence and without the consent of the people. Whereas here a Bill for fresh taxation is sought to be introduced without giving the people sufficient opportunity to give expression to their opinion on it. I therefore believe that useful purpose will certainly be served by giving the people who will be affected by this measure sufficient time to consider it and to express their opinion on it, and to be prepared to meet the effects of a measure of this character. It is with that object in view that I have tabled this motion. I am not opposed to this Bill on its merits, excepting for the fact that this measure being one for the imposition of fresh taxation, it is necessary that the people should say whether they will be able to bear the burden of fresh taxation, and also that Government should know what is the opinion of the people on the matter. When once the Government circulate the Bill among the people—whether among the consumers or the manufacturers whose number is certainly large—and they are spread over the whole of the province—Government will know that the country is certainly not prepared for this. It is possible that there may be differences of opinion, and it will certainly be to the interest and advantage of the Government to find out how many people are not in favour of this measure. If, on the other hand, Government find that there is a large volume of opinion in favour of this measure, their hands will be strengthened and they will certainly be justified in pushing this measure forward.

12
noon.

[Mr. Abdul Hameed Khan] [30th October 1935]

" Sir, in regard to the other aspect of the matter, whether fresh taxation is necessary or not, the question was discussed in this House and of course the Hon. the Revenue Member and the Hon. the Finance Member have come forward with the view that additional sources of revenue have to be tapped. In view of the facts that Government had to give remissions and that their finances are dwindling, Government have to find out ways and means of augmenting their finances. But whether this is a proper measure for augmenting the finances of the Government is a question which the people have to decide.

" Again, Sir, in regard to the opinion of this House so far as I could gather, some people think—and even the Hon. the Revenue Member also in his speech made us believe—that the consumer will certainly not be affected. He gave an instance of the number of beedies one might be able to purchase for a pice; that is, according to this Bill, instead of seven beedies he will be able to get only six. I do not think the matter is so simple as that. If you examine the question thoroughly, you will find that instead of getting eight beedies as at present, ultimately the consumer will get not more than four beedies. The moment any tax is levied on any commodity or any manufactured article, though the tax may not be heavy or incommensurate with the price that the manufacturer puts up on the articles on the plea that additional tax has been levied on the commodity, I am afraid, on account of the tax, the price of the commodity will increase and the consumer will ultimately be the person who will have to pay not only the amount of the tax, but even four times the amount that is levied on the manufactured articles.

" Then, Sir, we have to consider the standpoint of the wholesale merchants dealing in tobacco, both manufactured and raw. I know some of the merchants not only in the City but also in other parts of the province, on account of their long-standing business, have had to give large credits in the market. If we only calculate the credits they have given, I am sure the total will come up to thirty or forty lakhs of rupees on account of this business. The moment this Bill is passed, it is these merchants that will be the losers and all their credit amounts will be lost to them and they will not be in a position to recover all the amounts that they have advanced on this business.

" The most objectionable portion of this Bill is the monopoly vend. Bombay Act I of 1933 does not contain this provision. It only deals with this matter by levying a fixed licence fee. Now, this Government, with a view to reduce the expenditure on collection, I am afraid, are likely to resort to this monopoly vend. This monopoly vend is something like what is obtaining under the Abkari Act. One can understand the Government resorting to monopoly vend so far as intoxicating liquors are concerned. In the Statement of Objects and Reasons the Government say that it is not their intention to restrict the use of tobacco. When

30th October 1935] [Mr. Abdul Hameed Khan]

they do not wish to restrict the use of tobacco, I do not know why they should put this commodity on a par with intoxicating liquors. If they resort to monopoly vend in this case, the merchants will not only suffer financially, but they will also undergo heavy losses. It will certainly not be advantageous to the merchants dealing in this commodity. I therefore believe that when a measure of this nature is introduced, sufficient time should be given to the people who will be affected by the passing of this measure in order that they may give expression to their grievances. If the Government find that sufficient support is forthcoming from the public for this measure, they may come forward and introduce it and get it passed in this House."

* Mr. K. A. NACHIYAPPA GOUNDER:—"Mr. President, Sir, I have much pleasure in seconding the motion so ably moved by my hon. Friend, Mr. Hameed Khan. This is a measure, Sir, which affects the people, I mean, the poorest classes in the rural areas, very greatly. This Bill was published in the *Fort St. George Gazette*, as has been already pointed out by the previous speaker, on the 8th October 1935 and I believe even many of the hon. Members of this House could have had their attention drawn to it only after seeing the agenda wherein it is mentioned that the Bill was published in such and such a gazette. There was therefore hardly time even for the Members of this Council to study the Bill in all its implications. When such is the case, it could not have attracted the attention of the general public who are greatly affected by this measure. When such a measure is brought in, it is quite necessary that the people who will be affected by it should have sufficient knowledge of it so that they may express their opinion. It is in this view that I am seconding the motion. Personally I should say, I am in opposition to this measure. Though it is stated that it is designed to derive income, I believe this measure will affect the people considerably and harass them. In the Statement of Objects and Reasons, I find it stated that tobacco is a conventional luxury and could be taxed and that some revenue could be got from it. But, as far as this part of the country is concerned, I will have to repudiate that statement. I say, Sir, that it is not a luxury, but it is a necessity for the poorest classes, as pointed out by my hon. Friend, Sir Patro. So, if this article is to be taxed, we will be really taxing the poorest classes of the people. It is stated that the incidence of this tax will not fall on the growers or the consumers but it will fall on the traders. I am not in a position to accept that statement; I am sure it will affect both the grower and the consumer to a very considerable extent. It is not desirable to tax them at this juncture when they are already being troubled in several ways on account of economic depression.

"Then, Sir, apart, from the revenue aspect of the matter, this Bill gives scope for arresting persons and putting them to all sorts of troubles. Sir, this article is very largely used and many persons have got their stock of it and as a consequence of this Bill, they may be put to frequent

[Mr. K. A. Nachiyappa Gounder] [30th October 1935]

harassment by the authorities concerned by way of house-search and such other troubles. The Bill, of course, provides some remedy by way of punishment of officers for unnecessary persecution. But I think, Sir, the general tendency and the timid nature of the people are such that the officers will not be brought into trouble even if they go to the extent of harassing people unnecessarily. The ultimate result will be that the poor people will be put to great hardship by means of unnecessary persecution.

“ Again, Sir, the provision for monopoly vend in this Bill will greatly affect the growers as well. Here I wish to cite the example of what is going on in regard to the new excise policy which the Government have adopted in the Salem district. There is already the monopoly vend by licensing and fixing a certain area for selling of liquor in each shop. Besides, Sir, at Salem this year, they are practising a method by which some five shops in the town and then shops in the surrounding area are grouped together and sold to a single individual. They adopt a policy that trees will not be marked in that area to any other shop. The result is that trees which have been fetching four to six rupees before are perforce now given for Rs. 1-8-0 or Rs. 2, since there is no competition and demand, thereby reducing the income from the tree to the owners, who in most cases are agriculturists. In the same way, if this monopoly vend is brought in, it will greatly affect the growers as well. Now, they are enjoying practically free trade in regard to tobacco and in every place there are a number of petty traders and they are not placed under any restriction with regard to purchasing or dealing in this commodity. But by this measure, it is sought to bring under control those traders. If this system of monopoly vend is introduced only a small number of traders will come forward to take to this kind of trade. There will not be any keen competition in price and the result will be that the price of the article so far as the agriculturists are concerned will considerably fall down. Thus it is a measure which greatly affects the grower and seller also by placing them under all sorts of control and restriction and at the tender mercies of officers. This measure is a grave one and has to be dealt with cautiously having regard to the considered opinion of the public and sufficient opportunity should be given to them to express their opinion.

12-15
p.m.

“ I wish also to emphasize the point made out by my hon. Friend, Sir Patro, that this Council, having outlived its time, is not morally competent to pass a measure of this nature and it would be well and good for the new legislature to tackle this subject.

“ There is another aspect of this Bill which was dealt with yesterday, by my friend, Sir Patro. This is a federal subject and there is the fear that under the Reforms the revenue from this head will be taken over by the Federal Government. If such a thing should come to pass, I do not see why we should impose this sort of taxation for a short

30th October 1935] [Mr. K. A. Nachiyappa Gounder]

time and easily make it over to the Central Government. Even granting that this Government is entitled to this revenue as contended by the Hon. the Law Member, I may suggest that the Government may wait and consider this proposal after the Reforms are brought in, so that the public can, in the meantime, be awakened to the importance of the issue and their considered opinion on the point may be taken into account in bringing up such a measure."

* Mr. D. M. REID:—"Mr. President, Sir, at the outset, I should like to say that the views which I have to express represent the views of all the members of the group to which I have the honour to belong. In the first place, I have to say that I definitely approve of the principle of a tax on tobacco in some form. Firstly, in spite of all we have heard from my hon. Friend opposite that there is no necessity for securing fresh revenue for the province, we are satisfied that it is likely, as things are at present, that we shall have a deficit this year. The Reforms are ahead of us and with regard to this, we have, both through the European Association and other commercial bodies with which the community is connected, already made our position quite clear and they cannot be undertaken unless they can be paid for. My hon. Friend Sir A. P. Patro contemplates utilizing the balances and I understand that it is not a new suggestion from him but that this has been his thought for many years. We, the European group, contemplate no such wild thing as that nor do we approve of the principle of leaving the trouble untackled for our successors. In no sense would it be right or just. We are satisfied that we are faced with a deficit and that it must be met by this Council now. On that fair ground alone, I think I have made it clear that we shall not oppose any reasonable taxation, whether it hits us more than any other community or not. We may not welcome it, but I personally will not oppose it, and we do recognize that it is a necessity.

"With regard to the proposal to tax the particular commodity—tobacco—we appreciate the reasoning of the Taxation Enquiry Committee; but I will not detail all that they say once again. Every other civilized country has found tobacco a suitable medium of taxation, being as it is a luxury, the use of which extends to all classes and I can see no good reason why India should affect a singularity in this respect.

"But I am not to be taken—and here I would ask the attention of the House—as expressing myself in favour of the indiscriminate taxation of tobacco and tobacco products. Nor do I approve the provisions of the Bill which leave it open to Government, by executive action, to impose any tax that it may think fit. It may only be the intention of the present Government, at the present moment, to impose a small licence fee by way of taxation. But there are certain principles to be observed in imposing a tax of this kind which will embrace all classes and sorts of tobacco-sellers, from the largest companies to the little village pedlar with his tray of beedies and sweetmeats.

[Mr. D. M. Reid]

[30th October 1935]

" It is quite obvious that the tax to be imposed must be one which can be borne without undue hardship by the smallest vendor. I should oppose any tax which would have the effect of driving thousands of these poor people out of business. And it seems to me quite obvious that this House must not only be given the opportunity of approving the principle that some tax may be imposed, but also must be allowed some say in the amount of the tax and the maximum beyond which Government may not go without consulting the House again.

" For that reason, my approval of this Bill as drafted is subject to the qualification that Government must accept either a section or a schedule setting out the maximum fee chargeable. I understand that in Bengal, the licence fees chargeable are Rs. 6 per annum for a wholesaler, Rs. 3 for a retailer and Re. 1 for a hawker. I have been carefully into the figures, and I think that some such tax as that could reasonably be borne by the traders in Madras. But I am not prepared to say that a tax of two or three times those amounts could be borne; and for that reason I feel that no power, express or implied, should be given to Government to increase such tax unless this House has an opportunity of giving its approval at a later date.

" I now pass on to the attempt which has been made in the Bill to subdivide ' manufactured tobacco ' in order to put into force both a licence fee system and a monopoly system. It should be noticed that with the definition of ' manufactured tobacco ' standing in the Bill as it does at present, there is nothing to prevent Government from differentiating between class A and class B tobacco, and imposing different fees for the two classes.

" Whether it is their intention or not, I do not know; possibly they will explain later. If it is, I am opposed to it on principle. Such differentiation would, I feel, be unwarrantable.

" But from the practical point of view, the attempt to divide or grade tobacco products requires careful examination, and I hope the Select Committee will give this matter their careful attention. It seems to me that the intention of Government from the definition given of ' manufactured tobacco ' is to divide it into A, the better class tobacco, and B, the inferior quality tobacco smoked or chewed by the labouring classes. There is, however, one serious deficiency in this definition. It will be seen that all cigarettes, of whatever grade, are ranked as class A. Now in the eyes of the tobacco trade, all tobacco shreds wrapped in paper for the purpose of being smoked are ' cigarettes.' I do not think there is anything abstruse about this; the position is the same from the point of view of laymen. And it is manifestly unfair to join together as one class of tobacco, cigarettes selling at Rs. 2-8-0 per hundred and those costing 8 annas a hundred. I understand from those engaged in the tobacco trade that the price-range of cigarettes is so wide, but with such small differences between the various prices, that it is hardly possible to make any arbitrary division and say that this cigarette costing

30th October 1935]

[Mr. D. M. Reid]

As. 9-6½ should be ranked as class A and that those costing 9 annas 6 pies and under should be classed under class B.

“ One must also bear in mind that tobacco products of all kinds are handled by the same merchants and dealers. To subdivide mutually competitive branches of the tobacco trade for separate taxation purposes must be wrong in principle.

“ I would request the Select Committee to give their most careful consideration to this matter, firstly from the point of view of the principle involved—whether it is proper to distinguish between different classes of tobacco at all and then, if they decide that it is proper, to give their consideration to the practical question of how to distinguish between the different classes.

“ I now come to the most important criticism which I have to make of this Bill. There are certain clauses in the Bill which provide for the introduction of the monopoly vend system.

“ The House is informed by the Hon. the Finance Member that it is not Government's intention at present to impose this system of taxation. That being so, I cannot possibly approve of the Bill as drawn.

“ The effect of it is this: the House is being asked to approve of a principle which requires the very fullest and most careful consideration, and yet is informed that if it expresses its approval Government propose to take no steps to give this approval any effect.

“ Looking at it from another point of view: we are asked to give Government the power by *future executive action* to impose a form of taxation which should never be made the subject of purely executive action. This is contrary to all the canons of legislative principle as we know it. If Government desire to introduce the monopoly system they should do so definitely by this Bill. We know where we are. The question of its introduction should certainly not be left to executive action. If Government do not intend to introduce the system now, they have no right to include any provision for it in the present Bill. Speaking generally, Sir, a permissive clause in regard to a matter of fundamental principle is bad in law and dangerous in practice. If, therefore, Government do not wish to apply the monopoly system at once, all clauses dealing with it should be deleted.

“ I am not to be taken as expressing any opinion for or against the principle of the monopoly vend system. If Government are not intending to introduce this system, I am not called upon to express my views upon the principles of it. There are very strong arguments to put forward on both sides. They would involve a review not only of the principles underlying monopolies generally but also of their practical application to the tobacco industry.

“ As I said, in view of Government's assurance that the monopoly system is not going to be introduced, I do not feel called upon to go

[Mr. D. M. Reid]

[30th October 1935]

into this matter. I should like, however, to emphasize once more the fact that I am not to be taken as committing myself at this stage either in favour of monopolies or against them.

“ There are a good many details in the Bill relating to definitions, machinery, penalties and certain incidental clauses which require further examination by the Select Committee which will consider the Bill and I hope that a Member of this group will be included on the Select Committee who will press for such amendments as we consider necessary on points of detail.

“ To summarise very shortly my attitude towards the Bill, it is this: I approve of the principles of a tax on tobacco, subject to the definite fixing of a maximum tax in the Bill and subject to the deletion from the Bill of all the clauses dealing with the monopoly system of taxation unless these are to be operative forthwith.”

12-30
p.m.

* Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—“ Sir, I am glad that for once I am in agreement with the Knight from Ganjam in his opposition to this Bill. Sir, I do not really envy the position in which he is, because under the constitution, a Bill of this nature requires the joint deliberation and joint agreement of both parts of the Cabinet. I do not know what the contribution of the Ministers is to the evolution of this Bill and its future passage through this Council. I take it that the Ministers as representing the party to which the hon. the Knight from Ganjam belongs have given their consent to the introduction of this Bill and have also promised their support in its future stages. That I believe, Sir, was what was said in the Joint Report should be the procedure in the constitution under which we are now working and that procedure, I presume, has been followed in this case. So it is for the Justice Party about whose future Sir A. P. Patro expressed so much concern to-day, to justify their attitude both here and outside with reference to this Bill.

“ Well, Sir, coming to the Bill itself it is unfortunate that the Government should have thought of introducing a Bill of this sort at this time. In spite of what the representative of the European group has said just now there is absolutely no need for a Bill of this sort at the present moment. It has been stated by the Hon. the Finance Member that there will be a deficit at the end of the year and therefore we ought to find ways and means by fresh taxation. That seems to be the view which has commended itself to the European group.”

The Hon. Mr. C. A. SOUTER:—“ May I interrupt the hon. Member? I have to leave the House—I hope hon. Members will not mistake it as want of courtesy—as His Excellency desires to see me.”

* Diwan Bahadur T. A. RAMALINGAM CHETTIYAR:—“ Well, Sir, that position is not correct at all. The present financial position is due to various causes. Even according to the budget, we have agreed to forego a portion of the land revenue this year only. The deficit is due only to

30th October 1935] [Mr. T. A. Ramalingam Chettiyar]

the remission of land revenue. Government have not stated that this remission will be a permanent measure. If they will only make that statement in the House even during the passage of this Bill, I will be very grateful and I am sure people outside will be more grateful. Not only that, Sir. The Finance Member went further. He did not want even the settlements to be stopped. He wants the settlements to be made but only indicates that the increased rates won't be collected until circumstances warrant. The demand is going to be there; the demand will not be withdrawn; but unless the Government consider that the rates ruling in the market warrant it they will not collect the increase. Whether it is the future or the present Government that has to decide when the increased rate will be collected, it is immaterial. Unfortunately the question of helping of the future Government is being used in all sorts of ways by Government and those people who want to use it. I do not want this Government to be talking of helping the future Government as though the future Government will not know what to do. Their great solicitude for the future Government has been at the back of their doing things for which the people are not willing to give their support. So far as this province is concerned, there is no need for this great consideration for the future Government at the hands of the powers that are. In the normal course of things the revenue of this province is more than enough to meet the expenditure year after year. Not only that, I have been complaining year after year that a lot of money which ought to be financed from loans for capital expenditure is being spent from revenues. I have always been complaining that they have always been underestimating the revenue and overstating their expenditure with the result that we find that we have a lot of surplus money which we could have used for beneficial purposes. The result has always been that the Government paid back a portion of the debt or spent for capital expenditure. Sir, that has been the history of this province. With what result? When the last financial settlement came we had to pay a large portion of our revenue—as much as 348 lakhs a year for a number of years—for the use of the other provinces. Now we are going to repeat the same thing. What are we going to do? When every other province is showing a deficit, here a case is made out for imposing further taxation on the score of balancing our own budget. It amounts to saying that we do not want any help from the Imperial revenues. That will be the position that we will show when Sir Otto Neimeyer comes here. Already there is a portion of jute tax earmarked to Bihar and Bengal in the new Government of India Act. What is the position so far as we are concerned? We are probably the most heavily taxed province. (Hear, hear.) (Mr. C. Basu Dev: 'What proportion does the provincial revenue bear to the national income?') Labour forms a large majority of the population in Madras and it pays more than its share of revenue already. So far as land revenue is concerned, we are paying the highest in the whole of India. Next comes excise. There again per head we are paying the largest revenue in India. So far as stamp duty and court-fees are concerned, very early in the career of this

[Mr. T. A. Ramalingam Chettiyar] [30th October 1935]

Council we agreed to increase our rates by 50 per cent. Most of the other provinces have not followed us even after 15 years. So in every way we are taxed much more heavily than any province or State in the whole of India. Such being the case, is it necessary that we should add another tax to those that already exist? That is the question that I put.

“ Well, Sir, I have said already that the deficit, if there is any, is due to temporary causes. Our permanent income is more than enough to meet our permanent expenditure. There is absolutely no need to add one more item to the items of taxation already being paid. Our registration fee is much higher than what is paid in other provinces. In every way when we have been paying larger taxes than other parts of India, I do not see any reason why additional taxation should be imposed on our province. There will be time enough to consider what our commitments will be and what will be our expenditure when the New Constitution begins to work.

“ A proposition was enunciated that we should not depend on our surplus if there is a deficit. It is a strange proposition altogether. It will depend on what the position is and whether the deficit is due to a time of depression and what surplus is available. When we are over-taxed and we have accumulated a big surplus, is it wrong to meet the emergency by drawing on the surplus that we have accumulated? I can understand the other provinces, which have no surplus. When we have a surplus and when there is an emergency, I do not see any reason why we should not meet it from the surplus without resort to additional taxation. It is against all canons of taxation and against all canons of public finance, to resort to additional taxation to meet a temporary need. If, with the help of the surplus we can get over the emergency, the proper thing to do is to depend on the surplus and not to impose additional taxation. Already the country is suffering under depression. Trade has come to a standstill. Other countries are exporting their produce to our country and we are suffering heavily. It was only the other day that a deputation waited on His Excellency and stated that with reference to tobacco some sort of help ought to be given and that otherwise tobacco cultivation may suffer. Sir, for instance, the Ceylon tobacco is coming in large quantities to Malabar with the result that Coimbatore has lost its market in most parts of Malabar already. We used to depend largely on Malabar and to some extent on Gudiyattam for the tobacco we are growing in our district. Now the imports from Ceylon have seriously affected the sale of our tobacco. At a time like this, if you are going to impose this taxation on the business of tobacco cultivation and tobacco sale, what is going to be the situation? It is all very well to talk of the licence fee being low. I can also see the justification for the attitude of the European group that the licence fee should be the same in respect of all shops. In that case the essential doctrine of taxation that those who can afford ought to pay and those who cannot need not pay won't come into operation at all. The idea seems to be that the man at the street corner with a capital of Rs. 10 or

30th October 1935] [Mr. T. A. Ramalingam Chettiyar]

Rs. 15 should be charged in the same way as Spencer and Company with its huge sale of cheroots, cigars and all that, that both are to be treated alike, and the persons who would purchase from Spencer and Company should not be put to a greater sacrifice than the man who purchases from a shop at the street corner. If this is the principle that is going to be followed, I do not want to say anything more on it. Already we have been complaining and complaining loudly that it is the poor man that has to pay most of the taxes in this province, whether it is in the form of land revenue or in the form of excise revenue. Even in the case of court-fees and stamps, it is the under-dog, the debtor that pays and the comparatively richer and middle class people pay a very small portion of the taxation that is being raised in this province. So this will be only another instance in which the same injustice will be continued. As I said, the comparatively rich and the middle classes will reap the benefit of this taxation. It is all very well to talk about a luxury being taxed, but where does the line between luxury and necessity come in? Take for instance toddy. You say it is a vicious thing. But in how many cases it is a necessity? In how many cases the labourer, whether good or bad, spends his money on that? So also in the case of tobacco. He first purchases his beedi or cigarette and then with the balance goes in for the things necessary for him like rice. So ultimately it is the poor man who is going to be made to pay.

“Then again, Sir, the point has been raised that before the next reformed Council comes in we ought to show them this additional source of revenue. The Finance Member nods his head. But he forgets that the new council may take a different view altogether from him; he forgets that the new council may think of finding money from other sources. For instance, it may think that the administration itself is too costly and set about finding ways and means for reducing the cost. That is a question on which every Indian, whatever his views may be on other matters, is very keen; every Indian feels that the cost of administration in India is very heavy, that we have been managing things on a scale out of all proportion to the conditions of the country, out of all proportion to what is necessary or what is useful. Then there will be no need for any additional taxation. This is not the time when I need mention a few items of expenditure out of which we can find the Rs. 10 lakhs. After all what is expected out of this Bill is only Rs. 10 lakhs. For the Rs. 17 crores that is being raised every year in this province (The Hon. the Finance Member: ‘15 crores.’) compared to the ordinary demand of Rs. 17 crores—I put it as ordinary demand—Rs. 10 lakhs is a mere fleabite. I do not think that will be taken as a serious contribution to the finances of the Presidency. In these circumstances, it seems to me that this Bill has absolutely no virtue in it to recommend it for our acceptance.

“Then, Sir, let us imagine what the result of this Bill would be if it were passed. For one thing, if every shop is to be licensed, there will be a reduction in the number, even if the monopoly does not come

[Mr. T. A. Ramalingam Chettiyar] [30th October 1935]

in. If the monopoly comes in, as is stated by the Government in the Bill as introduced, things will become worse. Tobacco will have to be bought like ganja or opium. If that is not adopted, even then what will be the result? You cannot be issuing licences to the dozen shops in a street within a furlong or so. In almost every street there are two or three shops. What will be the turnover of these shops? These people deal not only in tobacco, but also in aerated waters, betels, nuts and things like that. Their total income for the whole month may not come to more than Rs. 7 or Rs. 8. In the villages, it may not be even that. If the licence fee is going to be what the Hon. Member told me just now, i.e., Rs. 5, I think many of the shops will go out of existence altogether; because the capital put in by many of the shop-keepers is only Rs. 10 or Rs. 15, and if you ask them to pay Rs. 5 in a lump sum, many of them will give up this business altogether. The result will be that the unemployment list will swell. The second thing is, as I said already, we are having imported tobacco from Ceylon and other countries. This sort of bringing under control the sale of tobacco will materially affect the trade. What is being done now is this. The agriculturist or some middleman who purchases this agricultural produce, keeps it for some time and sends it on when the market is favourable to places like Quilon or Alleppey. Of course the agriculturist need not have licence; but if he sends the tobacco to places like Quilon or Alleppey, he will be put to the same difficulty. That is also a matter to be considered. Whatever it is, as the trade is now carried on, the middleman goes to a village, purchases tobacco and keeps it in the pit for some time, for several months probably, and then sends it to Quilon or Alleppey. If you are going to license the vendor, how is it to be done? If the merchant is to be licensed, the number of those who trade in tobacco will grow less, for it is not likely that every merchant will care to go and take licence and carry on trade, because the trade is not a continuous one, it is not a business occupying him throughout the year. It is a business which is carried on for ten days in a period of six months and then for another ten days in the next six months. So any control of this sort would naturally tend to reduce the number of merchants, with the result that the agriculturists will have to deal with a lesser number of people and naturally suffer in prices. That will be the result of this legislation.

“As I said, there is no case made out for a Bill of this sort. If some people who are using tobacco are not paying taxes, if people who are going to be taxed are richer, if those conditions exist, then I can understand a legislation of this sort being brought in. But this tax is going to be paid by the very people who are paying most of the taxes. I do not see why an additional tax should be levied on the very same people. Therefore, there is no justification for this Bill, viewed from any standpoint. I will only state, Sir, that this boggy of placing the new Government and the new council on a satisfactory basis has

30th October 1935] [Mr. T. A. Ramalingam Chettiyar]

been taken too far. They are also people who can take care of themselves; they are also people who can look after their interests and they do not want the vanishing hand of this Government to support them. You can give them the credit of knowing their own business and arranging their own affairs. As has been said already, this Council has sat twice its term. I do not think any one will consider that the opinion of this Council is really representative in the sense that it is in close touch with the opinions of the electorate as existing at the present moment. Elections are held for the purpose of keeping persons steadily in contact with the electorate. It is not merely my representing this view or that view, it is a question of my being in contact with the electorate which elected me. I was elected six years ago for a term of three years and now twice that period has passed and I have never been called to account by that electorate. The electorate was not given an opportunity for that. Such being the case, if I express any view here, it is my personal view and at best the opinion of those with whom I have come in contact. But that is not, strictly speaking, representative opinion. Under these circumstances, I think that it is not fair for the Government to place this Bill before us and ask us to pass it, especially when the new council is soon coming into being. It can take care of itself, and after all, the want of an additional revenue of Rs. 10 lakhs will not make the Government feel the pinch if this Bill is not passed."

* Mr. J. A. DAVIS:—"Sir, there can be no better illustration of how this Bill is going to affect the very poor than a reference to what happened when the salt tax was raised. All sorts of arguments were then put forward that the poor man would not be affected. We know very well that the price of salt which was about an anna per pound before the increase, rose to somewhere about annas three and all the poor were obliged to pay that much. Now if you are going to impose this new tax on tobacco, it will certainly again affect the poor man. He must have his chew and his beedi. You say that what is proposed is only a small levy and that it will not affect him. But I tell you that it will affect the poor man as much as the enhanced salt tax affected the poor man. He will have hereafter to pay ten times more for his indispensable beedi or his chew. You say that you have a deficit of Rs. 20 lakhs to make up. But I ask whose fault it is. Is it not your own making? Here those of us who have cars wanted to pass the toll-gates without having to make a payment and removed that tax. In consequence, enormous sums were lost to the public exchequer. Is the poor man to be blamed for that? Why did you take away that tax from the rich man owning motor cars? Why not you re-introduce tolls and collect the Rs. 20 lakhs you gave up? Now, in order to reimburse the treasury you are hitting upon this plan of levying a tax on tobacco. This will certainly affect the poor man and he will be deprived of his small beedi or chew. Such a measure therefore will not receive my approval.

"Sir, the European Member said that he would fix the amount of licence fee at Re. 1. Does he realize that in the market at Ooty there

[Mr. J. A. Davis]

[30th October 1935]

are a thousand tobacco merchants who, with baskets on their heads each containing a few annas worth of tobacco, earn only two or three annas per day? Are all these people to be taxed one rupee? And then, how are you going to collect it? If you harass him too much, you will drive him out of business altogether and deprive him of his means of living. Then, there is the question of the producer having to find out the person who has the licence to sell. This is all going to work unnecessary hardship on all concerned. One result of all this will surely be that tobacco-growing will be restricted at a time when tea planters have had to put on the quota system and to reduce the area under tea cultivation. By this Bill are you going to bring down the cultivation of tobacco also? You will be doing that if you tax the tobacco-grower, the tobacco-seller, the chewer and the smoker. I do not think the Justice Party will find any support in the country for a measure of this description. Moreover, most of the money proposed to be collected will have to be spent as charges for collection. Therefore without benefiting the State to any great extent, you are going to injure the tobacco cultivation in this Presidency and deprive the poor man of his chew and his beedi. On all these grounds, I oppose this measure."

Khan Bahadur MAHMUD SCHAMNAD SAHIB Bahadur:—"Sir, the Hon. the Revenue Member was quite right when he said yesterday that he had some diffidence in expecting the support of this House for this measure. I hope this House will not support a measure of this sort which will hit the poor labourer very hard. Who are the people who manufacture beedies, who are the people who sell them and who are the people that use them? They are all very poor people. Poor people with a couple of rupees begin the manufacture of beedies which they sell to petty merchants who sell them from some verandas or hawk them in the streets. Are you going to tax such people and tax also the smokers? Sir, there are very few people in this country who do not chew pansupari with tobacco. The poor man cannot work without his pansupari. It is on these poor people that this tax will fall. We are told that the income from this source will be about Rs. 10 lakhs. Perhaps it will be more. But it is the poor man that will have to bear the burden. This Bill is conceived on a wrong assumption. The Statement of Objects and Reasons begins with a quotation from the report of the Taxation Enquiry Committee. It says:—

'The absence of any internal taxation on tobacco is a feature which distinguishes the fiscal system of India from that of almost every other civilized country in the world. The considerations which have led in other countries to the selection of tobacco as one of the principal subjects for consumption taxation apply with equal force to India.'

This is wrong. This does not apply to India in the same manner as it applies to other civilized countries, because in other civilized countries pansupari is not used. (Laughter.) We in India chew pansupari with tobacco. Everybody in every home all over India uses it—I have seen in upper India also—even the poorest man and woman use it; they

30th October 1935] [Mr. Mahmud Schamnad]

cannot attend to their work without pansupari in the mouth. The Taxation Committee was therefore wrong in assuming that this consideration applies to India. In the next sentence the Committee say: 'It is a typical instance of a conventional luxury whose use goes down to the poorest classes'. They thus admit that the poorest classes also use tobacco, but still call it a luxury. It is not a luxury at all. It is a necessity. Every member will concede that it is a necessity for the poor people and that not even the poorest man can do without his chew or his beedi. The Hon. the Revenue Member must have himself seen how largely tobacco is grown in South Kanara, especially in the Kasaragod taluk. In South Kanara, when he was there, he would not have travelled south of Kasaragod by train even without pressing his handkerchief to his nose in order to overcome the bad smell of fish manure used in the cultivation of tobacco. If this tax is imposed, the cultivation of tobacco will be restricted. Many of the merchants will have to give up this business on account of the licensing system now proposed.

'It is said that this eleventh hour measure is intended to provide sufficient funds for the new Government. As my hon. Friend, Mr. Siva Raj, remarks, the new Government will take care of itself. I do not think any wise man will think of starving himself for the sake of providing for future generations. (Laughter.)

'We are told there will be deficit this year. We have large revenue surpluses also and we know how the surpluses were applied last year and the year before last. The surpluses were not applied for purposes for which they should be applied, but for capital expenditure as well as for paying off debts which were incurred for capital expenditure. It was a very bad principle. Revenue surpluses should not be utilized for purposes of capital expenditure which ought to be financed from borrowed capital and not from our current revenues or revenue surpluses. Instead of doing that they could have applied part of this surplus for remission of land revenue. If there is any deficit this year, we can also utilize this surplus for wiping off the deficit. Sir Patro referred to the speech of a former Finance Member who said that an opening balance of Rs. 50 lakhs would be quite enough for meeting any future deficits. 1-15 P.m.

'Sir, this is a very untimely measure. It is a measure that will make the party in power and the Government very unpopular. I hope the Hon. the Revenue Member in the last years of his service will not create a bad impression in the minds of the people that he has oppressed the people by passing such a legislation. Perhaps on account of the brotherly feeling between the Reserved Half and the Transferred Half, they might have come to an agreement that the Transferred Half also should support this measure. But I would impress on the Reserved Half that they will be doing a disservice to the Transferred Half by insisting to pass this measure. We are suffering already on account of the poison administered by the previous Finance Member and others by helping the Transferred Half for the abolition of taluk boards. A

[Mr. Mahmud Schamnad] [30th October 1935]

similar disservice will it be if this measure is passed. I hope that Government will not stand on their prestige, but will kindly consider the advisability of withdrawing the Bill. If the party in power—the Justice Party—is going to support the measure I may also vote for referring the Bill to a Select Committee for the sake of maintaining the party discipline. But I would appeal to the Hon. the Revenue Member not to press it and create such a situation by passing this measure.”

* Mr. V. T. ARASU:—“ Sir, I rise to welcome the general principles underlying the Bill which has been introduced by the Hon. the Revenue Member. My reasons for supporting this measure are very many and without wasting the time of the House I would only place before it two or three points which appeal to me most. The first and foremost reason is the fact that this taxation is only an indirect tax and that it is going to be derived from a class of people who are at present not paying any tax at all. The second reason is this: many of us in this Council have been pressing on the Government to reduce the burden of taxation on land and incidentally many of us have also suggested that Government should explore new sources of taxation. I have, Sir, a vague recollection that my hon. Friend, Sir Patro, for whom I have very great regard and respect, has been year after year in the course of his budget speeches in this Council, urging on the Government to find out new sources of revenue. Well, Sir, here is a measure which the Government have brought forward and have placed before this Council for its approval and sanction.

“ The third reason which appeals to me most is this: that this is an article of universal and I may also say of daily consumption by a large section of the population of this Presidency and judged from the canons of taxation, I think it will not be unfair to impose this taxation on an article which is capable of yielding more, while at the same time not oppressing or harassing the poor agriculturists or the consumers for whom much sympathy was expressed to-day. I can assure hon. Members that it is the only article that I can think of on which a tax can be levied without much inconvenience to anybody concerned. Fears were expressed by several hon. Members who preceded me, including my esteemed leader, Mr. T. A. Ramalingam Chettiyar, that this measure will affect the growers of tobacco in this Presidency. For his information and for the information of this House, I should like to point out that this measure does not in any way affect the producer. Take for instance clause 2 (7) where the definition of manufactured tobacco is given. This measure will only affect the persons engaged in the sale of manufactured tobacco, and will in no way affect the producer of raw tobacco, the agriculturists. The agriculturist will as usual be quite free to transport and stock his tobacco provided he does not convert it into one suitable for consumption. The fears that the price of tobacco will go down are also unfounded and are based on a misunderstanding and misreading of the Bill. I also submit that the fear expressed by some of the hon. Members who participated in this debate

30th October 1935]

[Mr. V. T. Arasu]

is due to the fact that they have not fully understood the economics of the tobacco trade in this Presidency. This measure is going to affect mainly, as I will explain it presently, one class of people and that is the pan shop-keeper or betelnut shop man who deals in tobacco products. It is only that class of people that is going to be affected and it is only that class of people that will be called upon to bear the incidence of this taxation. Some hon. Members hinted that the incidence of this taxation will be transferred to the consumer. I submit that it is absolutely impossible for the shop-keeper to transfer this tax on to the consumer. Because, if you analyse the tobacco trade in this Presidency you will find that there is no clear-cut distinction between a retail trader and a wholesale trader, and usually the wholesaler also sells in retail. He sells in cases, in boxes of and in small packets containing five or ten cigarettes. According to the established principles of economics, it is impossible for one set of dealers, who come under the class of 'retail dealers' to transfer the tax on to the consumers, where the wholesaler also indulges in retail trade. For, if he does that, what will happen is this: the wholesale trader with a larger turnover will come in and sell at a competitive price and capture the business of the retail seller by selling at a price lower than that at which the retail seller is selling. Therefore I submit that it is impossible for the retail dealers to transfer the tax to the consumers. My hon. Friend, Mr. Davis, and my hon. Friend, Mr. Hameed Khan, said that whereas the consumer was getting 8 beedis per pice hitherto, he will, by the introduction of the licence fee, get only 4 or 5. If I have understood the Hon. the Revenue Member aright, he said that the tax would be very small, only Re. 1 or Rs. 2 per year. I submit that a tax of Re. 1 or Rs. 2 per year is not going to affect the consumer at all and it is not capable of being transferred to the consumer.

" However, I think, I should point out to this House and to the Government that there are very many objectionable features in this Bill as introduced. My first and foremost objection to the Bill is the fact that it is merely a skeleton legislation. I think my hon. Friend, Sir Patro, has rightly taken exception to this kind of legislation which merely gives power to the executive, by means of the rule-making power to fix any rate of licence fee which they may deem fit. I join my hon. Friend, Sir Patro, in condemning this procedure of passing a skeleton measure. I would therefore call upon the Government to make this legislation as detailed as possible, and if possible add also a schedule fixing the rate of licence fee. In this connexion, I have to make one or two suggestions regarding the rate of licence fee that should be levied from the people who are dealing in manufactured tobacco. I think it was Mr. Reid who suggested that this licence fee should be on a graded scale. I am in entire agreement with him. I suggest in that connexion that the hawker, the man who goes from street to street hawking tobacco, betelnuts and things like that, should be taxed at the rate of As. 8 per year and the retail shop-keeper at the rate of Rs. 2 per year.

[Mr. V. T. Arasu]

[30th October 1935]

I would suggest that the wholesale dealer—by wholesale dealer I mean the man whose turnover per day is in hundreds or thousands of rupees—should be taxed Rs. 10 or Rs. 15. I think that these rates would be fair rates of licence fees. I think Government should definitely include this scale in a schedule to the Bill itself.

“My second objection to this Bill is the artificial division of tobacco products for taxation purposes into two classes ‘(a)’ and ‘(b).’ Sir, as was pointed out by my hon. Friend, Mr. Reid, it is very difficult to divide tobacco products into two classes. If the Hon. the Revenue Member would go down to the streets of Madras or for the matter of that to any village, he will find that the tobacconist, who is perhaps the only tobacco seller in that area or village, stocks all kinds of products manufactured from tobacco. He will find that that man stocks cigars, cigarettes, beedis, snuff, ball tobacco and so on. So I submit that it is very difficult to divide the tobacco products into two classes, viz., ‘(a)’ and ‘(b).’ I would therefore strongly urge that this division into two classes be given up and a uniform rate of taxation be resorted to. There are also other difficulties in the way of resorting to this kind of dual taxation.”

1-30
p.m.

The Hon. Mr. C. A. SOUTER:—“One word of explanation. The two classes of tobacco under this Bill will only come in when the monopoly system is introduced and not before.”

Mr. V. T. ARASU:—“I am only speaking on the Bill as placed before the House. I am not prepared to take the intentions of Government into account. Nor do I know what the intention of the Government is. Taking the clauses of the Bill as they stand, I think that the division of the mutually competitive branches of tobacco trade into two classes for separate taxation purposes is essentially wrong in principle.

“There are also other reasons why this division of tobacco products into two classes should not be resorted to. Take for instance a village tobacconist. If he is asked to take out a licence for tobacco products in general, he will be in a position to understand what amount he will be called upon to pay. But if, on the other hand, as is proposed in the Bill, he is called upon to take out a licence for his cigars and cigarettes and take his supply of class ‘(b)’ products from a monopolist vendor, I submit it will be difficult for the man taxed to know exactly what he will be called upon to pay. This inexactitude, this vagueness about the rate of tax is, I submit, a direct negation of one of the well established principles of taxation. One of the principles is that it should be exact. On account of the dual system of taxation, the exactness disappears. Under the monopoly system, the monopolist may put up his prices. He may refuse to give his licence for certain tobacco products or he may favour another retailer.”

* The Hon. the PRESIDENT:—“Is the hon. Member likely to take a long time?”

30th October 1935]

Mr. V. T. ARASU:—"Yes, Sir."

The Hon. the PRESIDENT:—"The House will now adjourn for lunch and reassemble at 2-30."

(After Lunch—2-30 p.m.)

* Mr. V. T. ARASU:—"Mr. President, the third objectionable feature of this Bill is the introduction of the system of monopoly vend. It is rather puzzling why Government should have thought in terms of a monopoly system in respect of tobacco products or rather certain items of tobacco products. The only consideration which might have weighed with the Government in introducing this system appears to me to be the ease of collection. But I think that Government ought to realize that the disadvantages of this system outweigh whatever advantages it may have. Sir, I am not one of those who are opposed to the system of monopolies in any form or branch of human activity. I am perfectly aware that in certain branches of human activity such as transport services, and power-supply corporations, a system of monopoly will be more advantageous than a system of unbridled competition. But in a matter affecting a large section of the population and concerning a product which is needed for daily consumption, it is impossible to think in terms of a monopoly."

"The Hon. the Revenue Member in the course of his speech introducing the Bill said that the monopoly system is not new to this Presidency and that it has been in vogue in respect of Abkari. I submit, Sir, that the analogy is a far-fetched one. I can understand a system of monopoly in the case of an article which is considered to be dangerous and consequently the production and consumption of which ought to be prohibited or restricted. Admittedly, tobacco is not considered as a dangerous stuff. And therefore, it is impossible to conceive of a system of monopoly in respect of tobacco products. The possible objections to a system of monopoly in respect of tobacco products can be elaborated upon at considerable length. I do not, on this occasion, propose to do so, but would confine myself to bringing to the notice of the House only two or three salient objections to this system. The first is the case of the small man who makes and sells his own products. Fifty per cent of those engaged in this tobacco trade combine in themselves both the functions of the producer and the seller. If hon. Members go down to some of these *pan* shops they will find that the man in charge of these shops goes on making beedis or making snuff and at the same time selling them to the consumers."

The Hon. Rao Bahadur A. T. PANNIRSELVAM:—"Not beedis."

Mr. V. T. ARASU:—"Yes beedis, rolling them."

Mr. K. A. NACHIYAPPA GOUNDER:—"I am afraid there is no quorum in the House."

[30th October 1935]

(The bell was rung and the quorum was formed.)

* The Hon. the PRESIDENT:—"The hon. Member may continue his speech."

* Mr. V. T. ARASU:—"I was saying, Sir, that the position of the small man who combines in himself the functions of the producer and seller will be very difficult under a system of monopoly. Secondly, Sir, there is nothing to prevent a monopoly vendor from subletting his privileges, say, to the members of his own family or to the members of his own community. What would be the result? Traders who are already well-established in the district or the area within the jurisdiction of the monopoly-vendor will be thrown out of business. I would leave it to the House to imagine what a catastrophe it would be if a large section of the people engaged in this business was thrown out of business consequent upon the introduction of a monopoly in any particular area or district. My next objection to this system of monopoly-vendors is this. A monopoly-vendor will certainly have undue control over the prices. He will naturally try to sell such products as will fetch him good profit irrespective of the fact whether the products sold are good for consumption or not. Besides, a system of monopoly will entail, I think, considerable disputes if not litigation in respect of encroachment by one monopoly-vendor into the area reserved for another monopoly-vendor.

"Another objectionable feature of this Bill and I think a very important one is clause 22 of the Bill. Clause 22 reads as follows:—

'Whoever omits to keep such records or books of account as may be prescribed by any rule made under this Act, shall be punishable with fine which may extend to Rs. 200 and in the case of a continuing omission, with an additional fine

Just imagine for a moment a small shopkeeper dealing in tobacco products being called upon to maintain records and accounts in the manner prescribed by the Government! I ask the Hon. the Revenue Member whether he is aware of the fact that 75 per cent of those who are engaged in this tobacco trade are people who do not know even to read and write. When that is the fact, I cannot understand how Government can expect these people to keep records and accounts in the manner prescribed by them. This is a very pernicious clause and ought to be deleted.

Mr. President, these are some of the most objectionable features of the Bill. But I am sure the House will realize that they do not exhaust all the objections to this Bill. For instance there is the machinery for giving effect to this Bill and there are the penal and the incidental clauses.

"In conclusion let me reiterate what I have said. The Government should include a schedule to this Bill fixing definitely the rates of licence fee payable by these vendors. I also submit in this connexion that the

30th October 1935]

[Mr. V. T. Arasu]

fee should be as low as possible and should be capable of collection from as large a number of people as possible. The second point made out by me is that it is objectionable and wrong in principle to divide tobacco products artificially into two classes—class A and class B. The third is the objection to a monopoly vendor. The fourth is the objection to the retention of clause 22.

“ Now, Sir, one word more and I am done. A very passionate appeal was made to this Hon. House by our esteemed friend Sir Patro, who, if parliamentary tradition is to be observed, should be termed as the father of this House. I should like, in my turn, to make one appeal to him and that is that we should act in this House as reasonable men. He knows as every one of us knows that shortly a democratic form of Government is going to be introduced in this country. A democratic form of Government implies an expensive Government and for conducting an expensive Government we ought to augment our revenues. Sir, everybody knows that our resources are limited and that they are inelastic and even shrinking. Is this not, I submit, a measure which would result in yielding to the coffers of the State a very fair and decent sum which would also be capable of being increased or decreased according to our requirements? Therefore I appeal to this House to consider this measure favourably and to welcome it and see that it is passed with necessary changes.”

* Mrs. A. RUKMANI LAKSHMIPATHI:—“ Mr. President Sir, I did not mean to join in the debate on the Tobacco Bill. But I feel that I would be failing in my duty to the party to which I belong if I were to allow the sentiments expressed by my hon. Friend, Sir Patro this morning, go unchallenged. Of course I feel rather diffident to speak in the absence of the leader of my party who would perhaps be more competent to meet the arguments put forward by Sir Patro this morning. However, I feel it behoves me to answer Sir Patro. Perhaps the Government feels flattered by the advice given by Sir Patro that the Government should not support the Congress as it has been wont to. He said that the policy of the Government must be to oppose the Congress. As far as I remember and as far as the trend of events goes to show, the Government has never supported the Congress. On the other hand the Government under the regime of Sir Muhammad Usman when he was Home Member, showed no quarter whatsoever to the prisoners convicted during the civil disobedience movement, nor to those who were actually engaged in carrying on the civil disobedience movement. In fact it was Sir Muhammad Usman who used the big stick against the Congress when they were engaged in carrying on warfare against the Government. It has been the consistent policy of the Government to crush the Congress, to annihilate it completely and not to support the Congress as Sir Patro put it this morning. Again Sir Patro said that the Government has been supplying information to nationalist papers, and papers with nationalist views.”

2-45
P.M.

[30th October 1935]

Mr. C. BASU DEV:—" I am rather reluctant to interrupt the hon. the lady Member. But I am on a point of order. May I know if the hon. Member's remarks are relevant to the subject under discussion? "

The Hon. the PRESIDENT:—" I was equally anxious to find out the relevancy of the remarks. Since the hon. Member Sir A. P. Patro made certain observations, the hon. the lady Member is trying to answer them. "

* Mrs. A. RUKMANI LAKSHMIPATHI:—" It is due to the efficiency of the nationalist journals that they have been able to supply accurate and full information to the public much earlier than other journals. It is not due to the support that the Government has given them. "

" Coming to the Bill, Sir, we must consider it on its own merits and not as a party question. Who are the people whom this Tobacco Bill will affect? They are the very poor people, the consumers of tobacco, the growers and manufacturers of tobacco. I am not bothered about the manufacturers of tobacco products. But the growers of tobacco will be very largely affected if this Bill were put on the statute book. We have also to consider the taxable capacity of the ryot. You will be creating under this Bill a class of monopolists, monopolists who will artificially regulate the price of tobacco. The monopolists will keep the entire tobacco trade in their hands and the grower, though entitled, according to the provisions of this Bill, to sell his produce to other growers or other manufacturers will be at the mercy of the monopolists. This Bill will therefore create a class of monopolists who will artificially dictate their own terms and the grower will be absolutely at the mercy of the monopolist and will not be able to sell his produce according to the rates prevailing in the market.

" Then, Sir, both the Hon. the Revenue Member and the Hon. the Finance Member said in the course of their remarks yesterday that there has been a deficit in the finances of the province to the extent of Rs. 32 lakhs—if I remember right—and that this deficit in the budget has got to be met by fresh taxation; and that tobacco has to be taxed. As the Hon. the Finance Member put it, no other source is available from which fresh or extra taxation can be raised as more revenue cannot be got either from stamps, registration or any other head. Sir Patro pointed out in the course of his remarks that the deficit can be met by making use of the remitted provincial contribution. After all, this Bill seeks to raise an income of Rs. 10 lakhs by putting a licensing fee on tobacco. It is indeed a very small amount; this sum of Rs. 10 lakhs is only a small fraction of the huge and enormous expenditure that this province incurs. The Hon. the Finance Member stated that if this taxation is not resorted to, and if licensing fee is not levied on tobacco, our finances will become poorer and large amounts could not be allotted for nation-building purposes. I ask of this Government why it should not think of retrenchment, for which we have been

30th October 1935] [Mrs. A. Rukmani Lakshmipathi]

asking in various departments. I am sure, out of Rs. 10 lakhs, Rs. 5 lakhs would go towards the supervision charges and other items of expenditure and only Rs. 5 lakhs perhaps will be left over.

“ May I point out both to the Hon. the Revenue Member and the Hon. the Finance Member that the provincial contribution was remitted fully, with a view to reduce land assessment. Landholders, mirasidars and ryots have always been urging ‘ since there has been complete remission of the provincial contribution, why not the Government reduce the land assessment?’ That has been the perpetual cry of the landholders. That should be done if the Government means to be popular with the people; it cannot in any way be popular with the people if it is not the policy of the Government to look after the interests of the people but just to burden them with fresh taxes. The object of any tax is to see that the people get a corresponding relief. If it is done for that purpose, I can quite understand the policy underlying this Bill. I see no such proposal to bring about any ameliorative measures.

“ Sir Patro in the beginning started by giving a political colour to his speech. He said that if the Government were to get this Bill passed into law, it will be digging the grave of the Justice party. I know that Sir Patro spoke this morning with much feeling, after having experienced bitter reverses in the recent elections to the Legislative Assembly and in the by-elections to this House. He spoke with great vehemence.

“ I may on the floor of this House tell Sir Patro that there is no chance whatever for the Justice party to be returned at the next general election; because the Justice party has been out and out a tool in the hands of the Government. They have been consistently supporting the Government in their acts of commission and omission. Therefore, how could the Justice party expect to be returned at the general elections? I also agree with Sir Patro, when he said that this Bill will dig the grave of the Justice party.” 3 p.m.

The Hon. Mr. C. A. SOUTER:—“ Sir, I hate to interrupt a lady; but is this very relevant? ”

* The Hon. the PRESIDENT:—“ When at the beginning the hon. the lady Member made certain remarks on the observations of Sir A. P. Patro, I thought there was an end of it; but the hon. the lady Member has once again reverted to the same. I hope that she will conclude her speech with her observations on the Bill itself.”

* MRS. A. RUKMANI LAKSHMIPATHI:—“ Well, Sir, I have said what I have got to say, except that I could not understand the strange logic of Sir Patro, when he said that the Government were supporting the Congress Party. I could not also understand the self-contradictory

[Mrs. A. Rukmani Lakshmipathi] [30th October 1935]
statements he made. He began by saying that this was a political question, but in the end he said that it was not a political question that we were discussing.

“ With these few remarks, Sir, I oppose the motion. I have not studied the Bill properly and it was not my intention to speak on this Bill; but I do feel that this is a reactionary measure which will hit hard the growers of tobacco in particular. I therefore oppose the motion.”

Mr. P. V. KRISHNAYYA CHAUDARI:—“ Mr. President, before making a few observations on the Bill, I feel it my duty to thank the Hon. the Revenue Member and the Hon. the Finance Member for giving a little relief to the people of the Guntur and other districts by agreeing to put off the collection of the resettlement rates for a period of four or five years, or by leaving it to the future Government to decide the question. The people in these districts should be very grateful to them both for this relief, and I as a representative of the Guntur district, thank them for the same.

“ Sir, this Tobacco Bill has been before the public since May last. Although it was published in the newspapers some time back that the Bill would not come up before the House now, it has come before us. Unfortunately, however, we are at the fag-end of our term, and I think it is not fair that the Government should now introduce legislation of this kind. Nor, so far as I know, is there any emergency necessitating this fresh taxation.

“ Before proceeding further, I want to know what steps the Government have taken to improve our finances, before resorting to additional taxation. The Finance Member has not stated anything about that.

“ Again, some four or five years ago, the Government appointed a Retrenchment Committee which made certain recommendations with regard to the subordinate services, the Provincial services and the listed posts. May I know what has been done all these years with regard to the listed posts in this province, for adopting the new scales of pay which were recommended?

“ Further, we have borrowed large amounts of money from the Government of India at high rates of interest. We are now in a position to get loans in the open market at much cheaper rates of interest. If the Madras Government are short of funds, they might as well get the previous permission of the Government of India for floating a loan at lower rates of interest and thereby save a few lakhs of rupees by way of interest that we are now paying to the Government of India. Even if the Government of India are not willing to give us such permission, we can still ask them to float an additional separate loan for

30th October 1935] [Mr. P. V. Krishnayya Choudari]

us in the open market, and after discharging the old loans which we have taken from them at high rates of interest, we can save for ourselves a few lakhs of rupees. Such a course will obviate the necessity for this fresh taxation. In fact, I am sure we can save a much greater amount that way than by resorting to this Bill.

“ Another important point is this; if it is a fact that the Government are going to have a deficit this year,—it is said that it is Rs. 32 lakhs—it is their duty to take immediate steps to put a stop to unnecessary expenditure which is being incurred. For example I know, as a member of the Finance Committee—I do not know if I can divulge the information I got as a Member of that Committee, but still because I am a member of this Council, I do not think I should keep it confidential—that the Government when they wanted to appoint a special officer for amending certain Bills or Acts, brought forward a proposal to appoint an outsider, a retired officer, on a salary of Rs. 400 or Rs. 500, while as a matter of fact, they could have appointed an officer in service and paid him an allowance of Rs. 100 or so. I can give several such examples. If the Government have endeavoured to avoid all such unnecessary expenditure and then have come to us with this Bill, it will be our duty to support them; but so long as the Government have not done their duty, I think it is our duty not to support any measure for additional taxation. That is why, Sir, I oppose this measure.

“ A further important point to be remembered is this: that it is nowhere specified as to what amount of licence fee is going to be fixed, what will be the approximate realization as a result of this Bill and what expenditure is likely to be incurred on such realizations. Unless this information is given to us, we will not be in a position to know whether it is worth while proceeding with this Bill at all.

“ Several hon. Members, while speaking on this motion, wanted to know whether the Bill was going to affect the growers; but the Hon. the Finance Member simply nodded his head. I want to point out that there are several varieties of tobacco grown in the province, at any rate in the Guntur district, such as the Virginia quality, etc. There are certain varieties which are exported for cigarette manufacture, while there are others which are used locally for purely smoking purposes; it seems even in the case of the latter, the ryots would have to obtain a licence for selling. In Chebrolu, for instance, we grow a particular variety which sells at even Rs. 400 per candy; nobody buys a candy at a time; generally only one or two maunds are bought at a time. If for selling such varieties also, a licence has to be obtained, it will be most unreasonable.

“ Again, many hawkers go about the villages with headloads of tobacco worth about a few rupees, selling the same and making a few

[Mr. P. V. Krishnayya Choudari] [30th October 1935]

annas profit. If at least these people are exempted from taking a licence, I think it will be well and good.

“The Bill also introduces two kinds of monopoly: the A and the B classes. If it is intended that the growers should sell tobacco only to licenceholders, then every seller will have to watch whether a particular buyer is a licenceholder or not. This will be a difficult task. I am told that in the Bengal Act, there is no restriction that the grower should sell tobacco only to licenceholders. If the grower is permitted according to this Bill also, to sell tobacco to whomsoever he pleases, I think it will be some relief.

“Government are not at present giving any kind of help for tobacco-growing in this province. In Guntur district, there is the Imperial Tobacco Company, which spends about a lakh of rupees in growing seedlings and supplying them to the agriculturists. Although Guntur district is noted for tobacco-growing, the Government have not so far taken any steps to supply seedlings themselves. If they do so, I am sure, they will get a profit of about a lakh of rupees on this account alone. The company has appointed about half a dozen officers on about a thousand rupees per mensem, who are in charge of these seedlings and who supply them to the ryots. If only the Government can take up this business, charging a nominal fee, I am sure it will be a great relief to the ryots while at the same time the Government will profit to a great extent.

“With these observations, Sir, I think it is not advisable for the Government to come forward with a Bill of this nature, especially when they have not attempted to effect any retrenchment in their various departments.”

3-15
p.m.

* Mr. C. BASU DEV:—“Mr. President, Sir, of the volume of eloquence to which this House has been treated this day, I welcome one aspect, and that is the general expression of anxiety and sympathy for the poor labourer. I would certainly have been sincerely grateful had I not at the back of my mind some doubt as to the sincerity of this expression. I feel, Sir, that this sympathy is not unalloyed, but that the labourer as usual has been dragged out to cover some ulterior motive calculated to enure to either personal or political advantage. I leave it at that. (Mr. B. Pocker Sahib: What is your motive?) If my hon. Friend will bear with me for some time, I will try to explain my position.

“Mr. President, throughout the speeches that have been made in opposing this Bill, I have not come across even one statement suggesting that in the expenditure by the provincial Government there has been any item wrongly or improperly spent. Hon. Members are aware that on account of the great depression to which we, in common with the rest of the world, have been subjected, many of the nation-building

30th October 1935]

[Mr. C. Basu Dev]

departments have had to be starved and that budgets have been balanced on this starvation diet. The State has got to expand its activities and for such expansion we must find new sources of revenue. Sir, only yesterday, the Hon. the Home Member was taken to task for not making any attempt to solve the question of the educated unemployed. Again, the same Hon. Home Member was criticized by some of the depressed class members and rightly too, for not extending the beneficial activities of the Labour department to the other districts of this Presidency. I know, Sir, from personal experience to what trouble and difficulty the depressed classes have been put in the absence of the Labour department. If only the Government had provided funds, if only this House had voted for measures of this type, the Government would certainly have come to the rescue and the relief of the depressed classes and the unemployed.

“Then, Sir, there is the great question of the education of the millions of this province. I am sure there is no member of this House who will come forward to say that he is satisfied with either the quantity or quality of the education that is at present imparted. The money that we are now spending on education is nothing when compared with the money we have got to spend if we are to claim credit as a civilized administration. To meet the increasing demand for the education of the millions of children, we certainly want more money. Where are we going to find that money? One hon. Member said that the men who will hereafter come to the new Council can be trusted to look after the business well and satisfactorily. From what we have seen of the work of the hon. Members of this House and from the solicitude they have shown to the poor worker struggling hard for his daily bread and groping in the darkness of ignorance and illiteracy,—the invariable victim of every tub-thumping orator misrepresenting and misleading the public mind—we are not justified in sitting with folded hands. We will have to do something to ensure that our children may not have cause to curse. I am sure that the worker will vote not for one but for hundreds of measures of new taxation if only he is assured that the proceeds of such taxes will be devoted entirely or at least largely for affording proper and adequate educational opportunities for his children. What percentage of the national income of this province does our provincial tax draft constitute? I do not know, nor does the hon. Member from Coimbatore know but certainly it is not as much as it is in any civilized government. Whatever it may be, hon. Members of this House will understand that the vicissitudes of the tax—rupee must be traced if you are to find out if the tax is properly spent, not only when it leaves the tax payer's pocket but also as it reaches back the tax payer's pocket. The tax goes into salaries and wages and from there circulates in the payment of rent, in the payment for clothing, for food, for tramway and bus charges and other innumerable items of the economic system of the country. To cut down the salaries of the employees of Government will be to stop this

[Mr. C. Basu Dev]

[30th October 1935]

circulation and to that extent check the enterprise of the Province and throw thousands of persons out of their occupations. Therefore, Sir, I feel that any opposition to measures of new taxation will not be of the right type, though it may suit party purposes. It is wrong economy and unpatriotic obstruction. In deciding upon such issues as this we want our leaders to direct us with bold intelligence and not to mislead and stampede the country and the public with blind hysteria.

“So much with regard to the objection to the principle of new taxation. Now, coming to the Bill itself, I join with my hon. Friends, in voting against the inclusion of the provision relating to the monopoly vend. It is certainly not a desirable thing to do. I heartily endorse all the arguments that have been advanced against the inclusion of this provision. I also agree with my hon. Friend from Guntur that in regard to the question of hawkers, some of the growers themselves would come under the provisions of this Bill. Most of the growers of tobacco owning an acre or two of land generally sell a portion of their tobacco to meet their immediate needs and the balance they sell in small bundles at the various shandies. I hope that at the Select Committee stage hon. Members will examine this aspect and see that such growers are exempt from the operation of this Bill.

“My hon. Friend from Coimbatore stated that this Council has outlived its time and is not a representative body. This is not the first time we hear this story. I am sorry that the hon. Member had gone further to confess that he was not in touch with his constituency. If a reactionary Government had continued this Council beyond its term there was nothing in the way of the hon. Member resigning his membership and seeking re-election in order to get a fresh mandate from his constituency. That, Sir, would have been the correct conduct of the hon. Member but instead of that, he continues to take advantage of what according to him is a reactionary procedure adopted by the Government, and flings missiles from his comfortable seat in the House. He is a very popular member of the Legislative Council and of his constituency, but the irony of it is that he had to disown facts to enable him to indulge in meaningless tirades.

“Sir, I am sorry that a stray remark of Sir Patro, not quite relevant to the subject under discussion, should have been taken advantage of by the hon. lady Member to read us a lecture better fitted for Tilak Ghat. It was unfair to indulge in tirades or indictments against parties or persons and thus abuse the time of the House. With these few words I strongly support the motion to refer the Bill to a Select Committee.”

* Sriman M. G. PATNAIK Mahasayo:—“Sir, from the Statement of Objects and Reasons we find that the use of the tobacco is considered a conventional luxury. If it is a conventional luxury, of course it may be taxed. But is it really so? I submit it is not so at all. For a very long time people have been using tobacco in some form or other in this country, and the only thing that has come into use as a conventional

30th October 1935] [Sriman M. G. Patnaik Mahasayo]

luxury is the use of cigarettes and cheroots. Those costly things have come into this country from other countries. Therefore, if you want to tax any kind of tobacco at all, it must be the cheroots and the cigarettes. If really Government want to follow the recommendations of the Taxation Enquiry Committee, they ought to tax only cigarettes and cheroots the use of which can be described as a conventional luxury. So far as the use of the other kinds of tobacco is concerned, it is not at all a conventional luxury.

"In other countries, we know that drinking is a common habit with the people. In India it is not so. In other countries smoking may be considered a conventional luxury, but not in India. Instead of drinking, here in India people use tobacco in some form or other. Therefore, it cannot be said that it is a conventional luxury. The poor man after a hard day's labour comes out and chews a bit of raw tobacco or smokes or takes a little snuff. (An hon. Member.—"Why not they take to drink?") Oh, you want them to drink. Supposing the use of tobacco is made more difficult for these poor people, then the result of this Bill will be that people will give up smoking and take to drinking. Probably the Government will then gain both ways. They will then realise some money by the sale of tobacco and also the income from excise will go up. I was saying that it was not the object of the Mover of the Bill or of the Government, to discourage the use of tobacco. I cannot see how the Government can make good the deficit which they estimate would come to about 25 lakhs.

"We find that the Hon. the Finance Member expects to get from 5 to 10 lakhs of rupees from this source. He does not expect the whole deficit to be made up. Sir, we have to take into consideration the fact that this is not the first time that the deficit is expected in the budget. The Government knew the recommendations of the Taxation Enquiry Committee and I desire to know the reason why the Government did not come forward previously with such a Bill. The Hon. the Revenue Member has, with his characteristic frankness, told the House that the Bill is intended to raise money. But, Sir, I cannot accept it. The better thing would have been to regulate taxation in proportion to the profits realized by the sellers of tobacco. The Government cannot realize much money by imposing a flat rate of licence fee. Their object could be better achieved by adopting my suggestion. I am sure that the Hon. the Finance Member, the Hon. the Revenue Member and their Secretaries would have discovered that much money cannot be raised according to the plans formulated in the Bill. Therefore, I think there ought to be some other thing behind all these proposals. The whole question turns on whether we are to believe the Government or not even though the Government have not taken the House into their confidence. Both from the Statement of Objects and Reasons and from the statements made on the floor of the House, one cannot accept that this Bill is intended to raise money or to make good the anticipated deficit in the Budget. There ought to be some other reason and I have a suspicion

3-30
p.m.

A BILL FOR THE IMPOSITION AND LEVY OF LICENCE FEES
ON THE SALE OF TOBACCO IN THE PRESIDENCY OF
MADRAS (BILL NO. 17 OF 1935)

[Sriman M. G. Patnaik Mahasayo] [30th October 1935]

that this may have something to do with Sir Otto's enquiry. That is only my suspicion. I fear there is something of Kumbakonam behind all this. (Laughter.) Otherwise one cannot understand how they are going to achieve their object by imposing the same rate on a man making three thousands and another earning three rupees. I do not think it is right. That apart, the non-imposition of a tax in proportion to the profits, leads me to think that the object of the Bill is not what is professed to be. I think the principle on which the Bill is framed is wrong and ought to be corrected altogether and another Bill introduced.

“ My submission is that, Sir, if the House believes the Government—it is my opinion that we have not been taken into their confidence,—that the Bill is intended for the benefit of the people and the province, then let us vote for it. But if we feel that something bad will come out of it, let us throw out the Bill. (An hon. Member: Do you trust them or not?). That is another matter.

“ There is another thing, Sir. There is no doubt that the grower will be severely affected because the number of prospective purchasers will be reduced and the competition between them will be minimized if there is to be monopoly.

“ My hon. Friend, Mr. Arasu, drew upon his knowledge of books without practical experience. After the depression in the country I have found very little use in books of economy and their conclusions have been found by every day experience and observation, to be utterly incorrect. Sir Patro has explained the whole thing very clearly and I do agree with him in all that he said. But still, Sir, I will only say ‘ vote for the Bill if you believe the Government and do not, if it is otherwise ’; but I have no reason to think that they are undertaking this Bill for any motive other than the good of the country.”

* Dr. P. SUBBARAYAN :—“ Mr. President, Sir, I do not join with my hon. Friend, Mr. Ramalingam Chettiyar, in saying that he found himself in the happy position of agreeing with Sir Parasuramadoss once in a way. I find myself very often in agreement with Sir Parasuramadoss. Whenever he attacks a measure he draws the whole attention of the House to his remarks and, whatever anybody may think, his arguments do hold the field.

“ I personally feel that this is a wrong moment for any Government to bring in a Bill to raise taxation for any purpose. The Hon. the Finance Member reviewed the difficulties the Government are under with regard to their finances; but as Sir Patro pointed out, they may draw from their balances if really they have to do so. Besides, in times of stress, when they find that it is not possible to raise any taxation, they ought to retrench and impose a cut in salaries which, I know, is anathema to the Hon. Members of Government. I entirely agree with them when they say that there ought to be a contended service but at the same time, members of the service will also realize

• ON THE SALE OF TOBACCO IN THE PRESIDENCY OF
MADRAS (BILL NO. 17 OF 1935)

30th October 1935]

[Dr. P. Subbarayan]

that in times of stress, a cut in salaries is necessary and it has been found necessary not only in this country but in other countries. In times of economic depression, when Governments have not been able to meet their deficit, a cut in salaries has been imposed and these have been given back when they got into a flourishing condition. If this Government are of opinion that they have reached a stage when their finances do not cover their expenditure, they ought to look for cut rather than impose special taxation at this moment. I feel that this is a wrong moment. This Council has outlived its time by more than three years already in the expectation that the new election would be held year after year. Every time the life of the Council has been extended the reason has been given to hon. Members that perhaps next year the time will come for the elections to be held under the Reforms. What has been the result? We have waited for three long years; and I should not be surprised if this Council is extended by another year before any steps are taken for the new elections. You see in constitutionally-governed countries, the Government generally, when they feel that they have outlasted their time declare for an election even before the period, for which Parliament has been elected, has come to an end. We, in this country, on the other hand, have been fed with hopes of extension time after time for reasons best known to the authorities. I know there are many hon. Members fondly hoping that this time next year perhaps elections will be held under the new Reformed Constitution. I said three years ago, when it was said that the Reforms will come in time, that it was better not to anticipate and to take the clue from Lord Willingdon's plan when he dissolved the Legislature under the Minto-Morley Reforms even though he knew only eleven months remained for the introduction of the Montague-Chelmsford Reforms. But such boldness was not found in the Government when the first extension was made. They have been expecting the coming of the Reforms and I hope as has happened to Governments who have hung on to their places in spite of their terms coming to an end, a lesson will be taught by the electorate when the next elections take place.

“ Mr. President, coming to the merits of the Bill, I am in agreement with the hon. Member representing the European group, Mr. Reid, whose speech I heard with very great care and I congratulate them on the very able way in which their case was presented by the hon. Member representing them in this Council. I feel with him that in a measure of taxation it is impossible to give a blank cheque to the executive. It is a well-understood principle of a democratic constitution that the executive should not be armed with powers by which by a mere fiat they can raise the pitch or level of taxes and do what they feel right. I think it is right that the amount which is to be collected should be fixed by this Council and the hand of the executive should be tied to that extent that they cannot go outside the four walls of the Statute.

“ I do not know who drafted this measure at the Secretariat. Perhaps my hon. Friend, the Revenue Member, is responsible for it

[Dr. P. Subbarayan]

[30th October 1935]

himself. I feel it is a very ill-drafted piece of legislation. (The hon. Member nodded assent.) I am glad to find that the hon. Gentleman is in agreement with me in this statement. If that is so, I am surprised that my Hon. Friend should have thought it fit to introduce this measure into this House without so getting it into shape as at least to appeal to his drafting and artistic sense. I hope whatever may be the fate of the measure with regard to the Select Committee, hon. Members would at least see that when this Bill emerges out of the Select Committee, the objections that my hon. Friend, Mr. Reid, raised with such force this morning are met. It will, I hope, realize that they are not to give a mere blank cheque to the Government.

“ Mr. President, I am not questioning your ruling of yesterday; but I do feel that the gallant knight from Berhampur was right, though not technically correct, when he said that the motion was out of order and that we did not know whether the Government of India will not afterwards annex this tax. I know my Hon. Friend, the Leader of the House, tried to get out of it by saying that in the schedule with regard to provincial taxation there is a phrase by which tax can be levied on the sale of goods. But, in spite of all three of us, the Hon. the Leader of the House, Sir Parasuramdoss and myself being lawyers, I should not be surprised if one of the first things the new Federal Court which may be established with the coming of Part III of the Constitution will consider will be whether the Hon. the Leader of the House is right or Sir Parasuramdoss is correct.

3-45
p.m.

“ Because I think it is a very doubtful point. I myself looked up Kieth's Responsible Government in the Dominions and there have been decisions in the Supreme Courts of Australia and of Canada. And if you read some of those decisions you will find the Supreme Courts in Canada have taken a different view from the Supreme Courts in Australia with regard to what is a provincial subject and what is not. I know there is this distinction between the two constitutions, viz., the question of residuary powers. It is not the case under the present Government of India Act because there is no such thing as residuary power left. But even then a question of conflict between the Provincial and the Central Governments might arise. It is bound to arise. It will be eventually decided by a Federal Court. It was said that this is a question of tax and not an excise on tobacco. That is a question which will have to be decided by argument and perhaps the Leader of the House may be free to argue his own point of view on behalf of the then Government of Madras and my friend Sir Parasuramdoss may be also free to argue on behalf of the then Government of India. (A voice: ‘ What about you? ’) I hope I may also be free . . . (A voice: “ To judge between the two.” (Laughter.) I do feel that there is this doubt and that Sir Parasuramdoss was quite correct when he raised it. Why this hullo-bullo? Why make noise over a trivial sum of ten lakhs when you want crores? When the expenditure of

30th October 1935]

[Dr. P. Subbarayan]

Madras is considered, 10 lakhs is merely a flea-bite. When such is the case I cannot see the need for the haste with which the Government want to rush this measure. I do feel that it is not right; that it is not the function of a legislature which has come to the end of its natural term to try and impose taxation on the people without really going before the electorate and finding out what their intentions are. I am not one with Sir Parasuramdas in the matter of the next elections. If you do feel that this is a correct measure you must vote and take the responsibility for it. But at the same time I do feel that this House which is moribund, which has come to the end of its natural term is not a place to consider or pass a measure of taxation. It is better if really deficits have to occur that you leave the matter into the safe hands of the next Government whoever they may be, because it will be their ultimate responsibility to undertake measures of taxation for the financing of the problems that may arise before them. Do not tie their hands; do not make it impossible for them to lay down their policies in fields unexplored. That is what you are trying to do by the methods you are trying to adopt. I do feel if you think that democracy is going to work and work on a proper basis then it is not either your function or your business to tie their hands. Because with such a measure before them they may not know what they want. Leave them free to tackle the problem. It may be we are financially badly off. It may be that the next Government may find ways and means of finding fresh sources of income. For the past 15 years, since the introduction of the Montague-Chelmsford Reforms we have been trying to play with democracy, with a reserved half strictly sitting tight over the finances of the province, and a transferred half, who are really the responsible half of the Government, without any power either to influence or to direct the policy of the Government and when to-morrow you are going to be fully in charge of the affairs of this province, is it right, is it fair and is it statesmanlike to take away from their hands the right to decide what is a lawful tax and what ought to be the expenditure they ought to provide for? I have heard it said, 'we want to leave a clean slate for the next Government.' I am sure no next Government worth its name will consider it a clean slate for the simple reason it is for them to decide what a clean slate is. What you think a clean slate may not be clean to others. Policies may differ. They may have different views on taxation. I wish in the name of democracy, in the name of all you Englishmen believe in this country you would leave it alone to the new Government to tackle the problem before them."

* Mr. K. P. RAMAN MENON:—"I do not propose to detain the House with a long speech with reference to this matter. First of all, Sir, to justify an additional taxation it must be shown that it is absolutely necessary. Sir Patro has very lucidly explained the financial situation this morning and he has shown as plainly as possible that without fresh taxation the Government can get on. Then again all

[Mr. K. P. Raman Menon] [30th October 1935]

the amount that this taxation is supposed to yield is another ten lakhs and what is ten lakhs to a Government which deals with crores of rupees. As has been pointed out by the other speakers that, out of this ten lakhs, for supervision charges, collection charges and other things a large portion may have to be spent and that the balance may be practically negligible. Under those circumstances, Sir, can it be said that it is absolutely necessary to have this taxation? It has been said again on behalf of the Government that they are so very anxious about the coming Government, that they want to give them sufficient funds to run the Government. Personally I am sceptic about the solicitude which the Government evince. (The Hon. Mr. C. A. Souter: 'I may assure you.') You may assure me; but my scepticism remains. The more this argument is trotted out the more sceptical I grow. Then there are other points raised by the previous speakers that have to be answered. For example Mr. Arasu said that the incidence does not fall on the cultivator. It is quite plain, Sir, that if you demand a licence fee from the dealer, the dealer must have it out of his profits. Do you expect, Sir, any person to be so altruistic as that? He has necessarily to transfer the burden to the person who buys. Who are the persons that buy tobacco? It is the ryots. The person who raises the crop will be the person who uses the stuff. That person will have necessarily to pay the licence fee. The dealer will then transfer the burden on the ryot. It is absurd to suppose that a dealer will if his profit is Rs. 100 and has to pay Rs. 15 towards the licence fee will be content with Rs. 85. This Rs. 15 he will have to find from persons who purchase the tobacco from him. It must be known, Sir, to almost all members of the transferred half that almost every individual in this country from the merest coolie to the richest zamindar uses tobacco in some form or another. In Malabar except children below 16 or 17 every man and woman use tobacco. They chew tobacco; they use it in a medicated form and sometimes as snuff and, those who are Anglicized, smoke. In South Kanara snuff is used by almost all and I am told in the other districts like Guntur tobacco is extensively used. As a matter of fact therefore one must suppose whether it is a tax or licence fee call it whatever you will it will ultimately fall on the head of the ryot who has to purchase his tobacco. I cannot understand how Mr. Arasu has persuaded himself into the belief that this tax will not be a burden on the finances of the ryot. As has been said how can you avoid to touch the ryot because the ryot has to find money which has to be paid the dealer? Finally the burden will fall on the ryot. That is an aspect which must be considered. I feel that this is not a time to introduce fresh taxation. It has not been proved that it is not possible to carry on the Government without it. Therefore I have to oppose it."

* Mr. M. A. MUTHIAH CHETTIYAR:—"Coming at the fag end of the discussion on the subject I am one of those persons who have been benefited, especially by those who raised the legal issues. They have

30th October 1935] [Mr. M. A. Muthiah Chettiyar]

raised serious doubts as to the use of this Act after the advent of the Federation. It has been stated that this taxation would yield only about ten lakhs and it has been rightly pointed out from the Statement of Objects and Reasons that it is a tax and not a licence fee. The Government have come forward with the proposal not because they want to control the trade in tobacco but because they want to raise revenue. It has been made clear from the speech of the Hon. the Revenue Member that they want to augment the revenues. Myself and many others in this Council share the opinion of the Hon. the Revenue Member and the Hon. the Finance Member that the revenues of this Government should be augmented. But while doing so we should consider whether such a taxation measure should be rushed through in this manner and whether it will not be beneficial to take some time and elicit public opinion. I should definitely say that the House will be benefited by the adoption of such a course. There is no doubt that this Bill is going to affect all concerned. I am one of those who agree that tobacco is a luxury and may be taxed. But in doing so whether it will prove a hardship or not has to be considered. Would it not benefit us and the members of the Select Committee if the Government is to agree to move to refer this Bill to a Select Committee at a later stage and in the meantime consult the public who are greatly concerned? "

* The Hon. the RAJA OF BOBBILI:—" At the beginning of the discussion, I thought that probably it would not be necessary for me to participate in this debate, but now, having seen how much of the time of the House has been taken up, not on the merits of the proposed Bill under discussion, but on the political consequences that are expected to follow on the passing of this measure by this House, I feel it my duty to place my views and the views of my Party before the House. I may state at the outset that nobody welcomes this measure nor is a taxation measure ever popular; it is not for that reason we ask this hon. House to support this measure but on stronger grounds, namely, the necessity for providing the funds required for carrying on the administration satisfactorily. We are not in the happy position of my friends sitting opposite who have dealt only with one side of the question and have put forward the plea that as this House has practically come to the end of its life, it should not deal with any measure of taxation. We, being in office and responsible for the administration of the country, are brought face to face with the realities of the situation and to meet the present financial position.

" Hon. Members of this House are no doubt aware that agriculture is the greatest industry in our country, and that in the present state of economic depression, it is the agriculturist that needs the greatest amount of relief and assistance. If we support this measure of taxation to-day, it is because we feel that the agriculturist needs relief and because we want to be in a position to give him the necessary relief. It has been stated that there is no justification for undertaking any

[The Raja of Bobbili]

[30th October 1935]

measure of additional taxation during a period of financial depression through which the country is passing at present. I may state that if the present policy of our Party is to give adequate relief to the agriculturist and ultimately to evolve a more equitable land revenue system, it is certainly necessary to find alternative avenues of taxation. I therefore, submit, Sir, that it is not quite correct to assume and argue that this is an additional form of taxation or, in other words, another way of adding to the burdens of the people; it is because we feel that this measure is necessary in order to enable the Government to continue the land revenue remissions and also other reliefs granted by them that we have undertaken to support this measure during the lifetime of the present Council. I may mention one instance: the Act known as the Motor Vehicles Taxation Act, has resulted in the abolition of tolls, is giving relief to the agriculturists to the extent of about 30 lakhs of rupees. If all these beneficial measures which are calculated to benefit those classes of the rate-payers who are in greatest need of relief are to be continued, and if the present standard of administration is to be maintained, I submit to this House that it is absolutely essential that a measure of this kind should be passed.

“Of course, it has been stated by several speakers and also by my hon. Friend, Sir A. P. Patro, that it is most unwise that any political party should undertake a measure of taxation on the eve of the elections. But I may state that, as a party which has had administrative experience and which has always stood for constructive statesmanship, we do not believe that it will be possible to carry on either the nation-building departments or the key services without adequate funds. We do not belong to that school of thought which believes that it will be possible to carry on the administration by a substantial reduction in the pitch of land revenue assessment without exploring other sources of revenue. Our appeal has always been to that section of the electorate who can discriminate and who will not be led away by a spectacular programme, not backed by constructive proposals. If we say that our policy in the sphere of land revenue administration is to continue to press for land revenue remissions and also see that during this period of depression there should be no resettlements undertaken afresh, it is also our duty at the same time to explore alternative avenues of taxation which could ultimately be expanded to take the place of or to replace the loss in our land revenue which has so far been the main source of provincial revenues. It therefore follows that if we are supporting this measure to-day, it is with a view to having an alternative source of taxation which could be expanded and made to take the place of part of land revenue until a more equitable system of land revenue is adopted in future.

“Therefore the case before the House is that this measure should not be considered or construed as a mere taxation measure and should not be judged on that count alone but must be considered together with other measures of relief which Government have been able to give

30th October 1935]

[The Raja of Bobbili]

during the last few years of economic depression. And if they strike out the balance, I am sure hon. Members will realize that the sum total of the beneficial proposals made are really calculated with a view to give relief to the agriculturist who, I am sure all of you will agree, is the class of tax-payer who is most in need of such relief. Of course it has been stated that it is none of our business to think about the future and that it is for the future Government or whichever party may be in office under the new Constitution to set their house in order and that we should not take the responsibility of safeguarding our financial position. As a responsible Minister, I regret I am not able to subscribe to that view. Though we are on the eve of constitutional changes, still the responsibility of so managing our finances as to leave our financial position in as sound a condition as it had been in the past lies on us, whether we are at the fag end of the life of this Legislative Council or at the beginning of a new Legislative Council. I may also mention for the information of hon. Members of this House that similar measures have been carried both in the provinces of Bombay and Bengal, and in all other countries taxation on tobacco has always been one of the chief sources of revenue to Government.

“ I may repeat that the main intention of Government in bringing forward this measure is to enable them to continue the present relief to agriculturists which they have been giving during the last few years. 4-15
p.m.

“ As regards the various political issues that have been raised, I may say, at the risk of repetition, that as a party working on constitutional lines and with administrative experience for a number of years, when we put forward proposals that there should be no further resettlement, we will be pressing for the present remissions which are being granted to the agriculturists. We feel it our duty at the same time to explore alternative measures of taxation which may ultimately be expected to take the place of the revenues given up. I therefore once more wish to state that our appeal to the country has always been on practical and constructive lines and in carrying out our policies, as we hope to do, I have no doubt we will have the support of the electorate as in the past. We would not be scared away by the threats that a measure of this kind will have serious effects on the future, because if the Government of the country is to be carried on efficiently, any political party that puts forward a spectacular programme without at the same time showing ways and means for carrying it out will not carry weight with the electorate which we represent.”

* The Hon. the PRESIDENT:—“ Before I ask the Hon. the Revenue Member to reply to the debate, I should like that the amendments to add certain names to the list of the Select Committee Members given notice of by hon. Members are moved.”

Mr. G. R. PREMAYYA:—“ Sir, I move that two more names, viz., that of Mr. P. M. Thangal and that of Mr. Mahmud Schamnad be added to the list.”

[30th October 1935]

Mr. P. V. KRISHNAYYA CHOUDARI:—"I move that Sir Patro's name may also be added."

Mr. R. MADANAGOPAL NAYUDU:—"Sir, I move that the names of the Raja of Parlakimedi, Mr. C. Jayaram Nayudu and Mr. Dharmalingam Pillai be added to the list."

* Dr. P. SUBBARAYAN:—"Sir, I am afraid it has become the practice of this hon. House, when an agreement has been come to between the various parties and the Member in charge of a Bill has given a list of Members of the Select Committee, to move for the addition of names to the Select Committee. I think this is not a proper course to take. I am glad that my hon. Friend (Mr. Manikkavelu Nayakar) sitting on this side of the House, in deference to my wishes, did not move for the inclusion of the two names he wanted to. In view of this, I would appeal to the hon. Members who moved for the addition of these five names to withdraw their motions. When the Government themselves say that they are in a bad financial plight and that they want to save money, I think the Council ought to set a lesson in the matter of economy and see that we do not add to the expenses of the Government by bloating our Select Committees with a large number of Members. Under the circumstances I would make an earnest appeal to the hon. friends who have moved these motions suggesting additional names to the Select Committee to withdraw their motions. I find that all parties are represented on the Select Committee as per the list given by the Hon. the Revenue Member and I think they will be able to go into the question of this Bill, if it goes to a Select Committee and to shape it in a way that may carry out the wishes of hon. Members who have proposed various amendments."

Mr. R. MADANAGOPAL NAYUDU:—"Sir, I wish only to state that I gave notice of my motion only after I heard that other names were being proposed. If Mr. Manikkavelu Nayakar is not moving his motion and if the others are withdrawing the names suggested by them, I shall also withdraw my motion."

* The Hon. the PRESIDENT:—"The hon. Member is at liberty to set an example for them." (Laughter and cries of 'Hear, hear'.)

Mr. R. MADANAGOPAL NAYUDU:—"I beg leave to withdraw my motion, Sir."

The motion was by leave withdrawn.

Mr. G. R. PREMAYYA:—"In view of the opinion expressed by the hon. the Leader of the Opposition, I also beg leave to withdraw my motion, Sir."

The motion was by leave withdrawn.

Mr. P. V. Krishnayya Choudari's motion was also, by leave, withdrawn.

30th October 1935]

* The Hon. Mr. C. A. SOUTER:—" Mr. President, Sir, I am afraid the debate has taken a course which may necessitate my keeping the House for some considerable time."

* The Hon. the PRESIDENT:—" May I interrupt the Hon. Member for a second? If the Bill is to be put to vote now, the discussion should come to a close allowing 15 minutes for the division to take place."

* The Hon. Mr. C. A. SOUTER:—" Thank you, Sir, I think I shall finish by that time."

" The opening remarks that I made when I moved for the introduction of this Bill that I was diffident in doing so seem to be justified, because there seems to be a considerable amount of opposition to the Bill from various parts of the House. I think, Sir, my best course will be to take the salient points which I have noted and to answer them intending at the same time to answer all individual Members who at one time or another raised those points."

" First of all, of course, I must reply to the lady Member who, I think, started or at any rate followed up the idea that this Bill was going to have considerable influence on the future elections. (Diwan Bahadur T. A. Ramalingam Chettiyar interrupted.) I said, ' followed it up.' I think that my Hon. Colleague the Chief Minister has given a satisfactory answer to that. So far as I am concerned, and I think I can speak for my Hon. Colleagues on the reserved half, whether this Bill is going to influence the elections or not, hardly entered our heads. That was not a matter which we considered as having an intimate bearing on the question whether this proposed taxation is necessary or not. I hope hon. Members will take my assurance for that. All that we on the reserved side intend by this measure is that the finances of this presidency shall be bettered. What its effect is going to be on this Member or that Member is, to my mind at any rate, entirely irrelevant."

" Now, Sir, I will proceed to reply to the various criticisms which have been made against this measure on financial grounds. Here, Sir, I much regret that a very considerable number of mis-statements have been made. I made a categorical enough statement earlier to the effect that although we propose to carry out the re-settlements in accordance with the principles on which we have carried them out in the past, we do not propose definitely to increase the incidence of land revenue in any particular district now, but will leave it for the future Government to impose such conditions if and when they think it necessary. I trust, Sir, that that statement is categorical enough to dispel the apprehensions of I think my hon. Friend Mr. Ramalingam Chettiyar."

Mr. T. S. RAMASWAMI AYYAR:—" What about the reclassification in the Cauvery Delta? "

[30th October 1935]

* The Hon. Mr. C. A. SOUTER:—"That is not a re-settlement question. If my hon. friend remembers my statement I think I referred to this case and to Guntur in particular.

"Now, Sir, it has been generally assumed that our revenues amount to something like 17 crores. In view of the land revenue concessions and so on, our total revenues have shrunk to 15 crores and, if we are to carry on at all adequately, at any rate some portion of it must be found otherwise. That is actually the situation. After careful examination we have come to the conclusion that in the next five years, at any rate in our present sources of revenue, we can see no prospect of any substantial increase.

"Again, Sir, in consequence of retrenchment we cannot see there is any scope for further economy to any large extent there and there is no question about it that the new Constitution must involve additional expenditure.

4-30
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"Then, again, references were made to surpluses. We cannot possibly subscribe to the idea that our balances can be used to tide over difficulties caused in future years on account of capital expenditure. I doubt whether the opinion of many hon. Members who subscribed to the view that our balances could be used for such purposes as mentioned above is a sound one, but even if it were their considered judgment to use our balances for that purpose, I am very much afraid that in a very short time the chances are that these balances, whatever the causes may be, will very largely be dissipated. It is anticipated that our balances at the end of the year will be round about 2 crores. Now supposing that the new constitution comes into force say about April 1937, i.e., 18 months from now, we shall have before that time to make a minimum deposit in the Reserve Bank and that must be a standing deposit. We have already intimation given to us that that deposit has to be made. What is the amount of it we yet do not know but I think that it will have to be very considerable and that it has to come from our balances. Sir, if we get provincial autonomy we have to recollect that this Government will have to find its own ways and means. Let me take one example. We have to maintain a minimum amount of money in the various treasuries and sub-treasuries. If one recollects that the revenue of the province comes in only in the course of three or four months and during the rest of the year no revenues come in, one will agree that ways and means will have to be found from fluid money at our disposal and that will have to be met probably from our balances. That is a second item which is bound in my opinion to affect our balances.

"Thirdly it is more than possible that when the new Orissa Province is inaugurated we will be asked by the Government of India to pay a lump sum towards that inauguration and if we are asked to pay that lump sum, I may assure hon. Members, it will not be a negligible sum. And that lump sum again must come from our balances. Say

30th October 1935]

[Mr. C. A. Souter]

by the end of the year or by the time the new constitution is introduced we should be in this position: that our balances of 2 crores will be reduced to something small and that on them we cannot possibly rely to tide over any period of difficulty.

“ I have taken the House into my confidence in these matters, but I do so in order to show that we have explored all possible sources of revenue before we introduced this Bill for extra taxation.

“ Now, again, Sir, speaking generally, when Sir Otto Niemeyer comes to Madras what will be his attitude? It seems to me that the questions which he will put to Provincial Governments will be something like these—

- (1) Is the Province taxed adequately?
- (2) Has the Province been economic in its overhead charges?
- (3) Has the Province retrenched its expenditure adequately in this period of economic depression?

“ It seems to me that any Financier enquiring into the financial position of a Province is bound to ask himself and is bound to ask the Province concerned these questions. It is more than probable that Sir Otto Niemeyer will himself enquire in each Province as to possible sources of revenue and, having the recommendations of the Taxation Enquiry Committee before him, one of the sources of taxation which he is bound to enquire into will be that on tobacco. If he finds that Bengal and Bombay, and not only that, the two neighbouring States of Cochin and Travancore, have introduced such a tax, he will naturally enquire why Madras has not done so. If he finds we have not done so, naturally we are going to get a bad report.

“ Further, take this fact into consideration. As we all know excise on tobacco is a Federal subject. Supposing we do not introduce this taxation now—of course my hon. Friends Messrs. Dr. Subbarayan and Sir A. P. Patro said that this House is not competent to introduce it now but I think personally that we are perfectly competent to introduce it—it is more than probable that the Government of India will introduce it”

Dr. P. SUBBARAYAN:—“ On a point of personal explanation. I never questioned the competency or otherwise of this House. I only said ‘is it wise if afterwards it is going to be taken away by the Government of India’ .”

* The Hon. Mr. C. A. SOUTER:—“ I accept the correction. For the word ‘competency’ I substitute the word ‘wisdom’ .”

“ All I can say is: is it not likely that the Government of India will turn round and impose an excise duty on tobacco in this Presidency whereby the chances are that the incidence of such a taxation will be very much greater than the incidence arising out of this measure.

[Mr. C. A. Souter]

[30th October 1935]

These points, although they seem to be commonplace, deserve to be put very prominently before this House, and these we consider as a very real danger.

"Now, there have been some apprehensions as regards the amount of this tax. I stated before that we think that we should be able to raise this year 10 lakhs of rupees and that the tax will be small. But I am perfectly prepared when this Bill goes before the Select Committee to see that the amount of tax is fixed and I should go even as far as this, viz., that I should be prepared to say, at any rate in the first year of introduction, that the maximum of tax should not be more than Rs. 5. I am perfectly prepared to say that. If we calculate on that basis it will be possible for us to raise our 10 lakhs of rupees.

"Then, Sir, I think it is my hon. Friend Mr. Raman Menon who suggested rather unkindly that we do not bring forward this measure out of solicitude for the future Government. May I tell him that if it was not solicitude that actuated us how was it that we wished, which Sir Patro and some other hon. Members seem to think may be the consequence, that the Justice Party should be wrecked. (Laughter.) Again, Sir, do you think that I personally would have been prepared to spend the best part of the last two days in this House and to strain not a too strong throat in explaining the necessity for a measure of this sort merely with some ulterior motive and not out of solicitude for the future Government?

"I have listened with very great interest to Mr. Reid's speech, especially with regard to his criticism of the monopoly. I think myself that monopoly is not a very pleasant thing. I have read too much of history not to know where monopoly may lead to. But we do not intend, categorically I say so, to introduce monopoly now. What the Bill says is that if in the future the Government of that day consider that monopoly may be introduced, they should have power to do so. But knowing the feelings against monopoly, I should be prepared to go as far as this and say that in the Bill itself provision should be made that the Government of the future shall not introduce this monopoly unless it has the approval of this House; and I should have no objection at all in the Select Committee to having such a provision made in the Bill itself. That I think ought to remove any danger of introducing monopolies at a wrong time or with wrong motives.

"Then, Sir, as regards the various details of the Bill, I do not think it is necessary to discuss them here as I sincerely hope that this House will accept my motion to refer the Bill to the Select Committee where all the details can be gone into. I think it will be a good thing in the Select Committee if we intimate the various bodies who are interested in tobacco trade and so on to send their representations to the Select Committee as to their objections and otherwise and I give a promise to this House that the Select Committee, before it meets, shall announce to the public that such and such a date shall be the last day for the receipt of the criticisms of the Bill.

30th October 1935]

[Mr. C. A. Souter]

“ In other words, we shall be able then to consider all points of view and any reasonable objections which may be raised to the Bill.

“ Then, Sir, some remarks were made as to the very small amount we expect to raise under this Bill and it was added that probably the costs of collection would absorb a very large amount of this sum. As regards the first part of the objection, all I have to say is that this measure is a measure, we hope, of expanding revenue and that this ten lakhs ought not to be considered as fixed once for all. If it had been, I quite agree that it would have been practically useless to introduce a measure of this kind. There again it may be possible for the Select Committee to empower the Government to increase such fees as necessity arises. I should also be perfectly prepared to introduce in the Bill a definite provision that any increase in such fees must have the approval of this House. And we are all harping on the unrepresentative character of this House. We hope that when this Bill is in working order the House may become truly representative and whatever party may be in power, if the House as so representative at that time considers that the Government of the day requires more money it will be within the competence of the House to enable the Government to raise it. I think that answers most of the criticisms levelled. I have not on purpose gone into great detail but confined myself generally to the main provisions of the Bill. I sincerely trust that in view of the consequences of such action as I have pointed out, the House will not summarily reject the Bill. Believe me, the impression created by such act would be definitely a disadvantage to this Province. I trust therefore that this House will permit this Bill to be referred to a Select Committee.”

Mr. Hameed Khan's motion was by leave withdrawn.

The question that the Bill be referred to a Select Committee consisting of the following seventeen members was put to vote and declared carried :—

- (1) The Hon. the Raja of Bobbili.
- (2) Sir William Wright.
- (3) Diwan Bahadur T. A. Ramalingam Chettiyar.
- (4) Mr. P. Peddi Raju.
- (5) Mr. K. P. Raman Menon.
- (6) Mr. P. V. Krishnayya Choudari.
- (7) Mr. C. Ramalinga Reddi.
- (8) Mr. B. Pocker Sahib.
- (9) Rao Sahib N. Siva Raj.
- (10) Mr. Mahboob Ali Baig.
- (11) Mr. Daniel Thomas.
- (12) Mr. M. S. Sreshta.
- (13) Mr. H. R. Uzielli.
- (14) Mr. A. Harischandrudu.
- (15) Mr. V. T. Arasu.
- (16) The Raja of Khallikote.
- (17) The Hon. Mr. C. A. Souter (Mover).

[30th October 1935]

A poll was demanded and the House divided thus—

Ayes.

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| 1 The Hon. Sir K. V. Reddi Nayudu. | 24 Mr. P. V. Rajagopal Pillai. |
| 2 " Rao Bahadur A. T. Pan- | 25 " V. G. Vasudeva Pillai. |
| nirselvam. | 26 " J. M. Smith. |
| 3 " Mr. C. A. Souter. | 27 " G. Simhachalam Pantulu. |
| 4 " Mr. G. T. H. Bracken. | 28 Rao Sahib V. Dharmalingam Pillai. |
| 5 " Diwan Bahadur S. Kuma- | 29 Rao Bahadur D. Krishnamurti. |
| raswami Reddiyar. | 30 Rao Sahib Pandit Ganala Rama- |
| 6 " Mr. P. T. Rajan. | murti. |
| 7 " the Raja of Bobbili. | 31 Mr. M. B. Rangaswami Reddi. |
| 8 Diwan Bahadur C. Natesa Mudali- | 32 Rao Sahib C. Jayaram Nayudu. |
| yar. | 33 " D. V. Narasimhaswami. |
| 9 Mrs. K. Alamelumangathayaramma. | 34 Mr. G. Sriramulu. |
| 10 Mr. Scott Brown. | 35 " J. Kuppuswami Choudari. |
| 11 " H. R. Uzielli. | 36 Khan Bahadur Mahmud Schamnad |
| 12 " C. E. Jones. | Sahib Bahadur. |
| 13 " G. T. Boag. | 37 Mr. A. V. Bhanoji Rao. |
| 14 " R. Madanagopal Nayudu. | 38 Diwan Bahadur A. M. M. Muru- |
| 15 " T. B. Russell. | gappa Chettiyar. |
| 16 " Sundara Rao Nayudu. | 39 The Zamindar of Bodinayakkanur. |
| 17 Khan Sahib Syed Tajuddin Sahib | 40 Sriman M. G. Patnaik Mahasayo. |
| Bahadur. | 41 The Kumararaja of Venkatagiri. |
| 18 Diwan Bahadur A. Appadurai | 42 Mr. G. R. Premayya. |
| Pillai. | 43 " C. R. Parthasarathi Ayyangar. |
| 19 Rao Sahib N. Siva Raj. | 44 " P. V. Krishnayya Choudari. |
| 20 Mr. M. Devadasan. | 45 " I. Santhana Gounder. |
| 21 " D. M. Reid. | 46 " Mahboob Ali Baig. |
| 22 " W. K. M. Langley. | 47 " C. Basu Dev. |
| 23 The Raja of Parlakimedi. | |

Noes.

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| 1 Rao Bahadur Sir A. P. Patro. | 10 Mr. B. Pocker Sahib. |
| 2 Dr. P. Subbarayan. | 11 " M. A. Manikkavelu Nayakar. |
| 3 Mr. Yakub Hasan. | 12 " P. Peddi Raju. |
| 4 Diwan Bahadur T. A. Ramalingam | 13 " K. A. Nachiyappa Gounder. |
| Chettiyar. | 14 The Pattagar of Palayakottai. |
| 5 Mr. Abdul Hameed Khan. | 15 Mr. S. M. K. Beyabani Sahib. |
| 6 " Basheer Ahmed Sayeed. | 16 " U. C. Subrahmanya Bhatt. |
| 7 " T. S. Ramaswami Ayyar. | 17 Mrs. A. Rukmani Lakshmipathi. |
| 8 " A. B. Shetty. | 18 Mr. K. P. Raman Menon. |
| 9 Khan Bahadur P. Khalif-ul-lah | 19 " P. M. Thangal. |
| Sahib Bahadur. | |

Neutral.

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| 1 Mr. V. T. Arasu. | 7 Mr. T. Narasa Reddi. |
| 2 " M. A. Muthiah Chettiyar. | 8 " A. Ramakrishna Reddi. |
| 3 " M. S. Sreshta. | 9 " H. M. Jagannadham. |
| 4 " K. M. Duraiswami Reddiyar. | 10 Subadar-Major S. A. Nanjappa |
| 5 " J. A. Davis. | Bahadur. |
| 6 Rao Sahib V. I. Muniswami Pillai. | |

Ayes 47. Noes 19. Neutral 10.

The motion was carried.

The House adjourned to meet again at 11 a.m. the next day.